MEMBERSHIP OF THE EUROPEAN COMMUNITIES

IMPLICATIONS FOR IRELAND

Laid by the Government before each House of the Oireachtas, April, 1970

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INTRODUCTION AND SUMMARY

1. Following the Summit meeting of the Heads of State or Government of the member States of the European Communities at The Hague on 1/2 December 1969 there is now a definite prospect of negotiations on the Irish and other applications for membership of the European Communities opening about the middle of this year. A copy of the Communiqué issued after the meeting is attached as Appendix 1. While the Communiqué contains no reference to a specific date for the opening of negotiations, the member States agreed that their preparations should not extend beyond the end of June 1970 and that the negotiations with the applicants could start soon afterwards.

2. Ireland applied for membership of the European Economic Community (EEC) in July 1961 at the same time as the United Kingdom, and for membership of the European Coal and Steel Community (ECSC) in January 1963. Following the breakdown in the discussion on the British application in January 1963, action was also suspended on the applications by Ireland and the other two applicant countries, Denmark and Norway. The four countries reactivated their applications in 1967. Ireland also applied for membership of the European Atomic Energy Community (EURATOM) at that time. In December 1967 the Council of the European Communities failed to agree on the opening of negotiations with the applicant countries; they did, however, decide that the requests for accession should remain on their agenda but no progress was made until the Hague Summit meeting of 1/2 December 1969.

3. The reactivation of Ireland's application for membership was approved by Dáil Éireann on 26 July 1967 following a two-day debate. In a comprehensive statement opening the debate, the Taoiseach indicated in broad terms the main implications for Ireland of membership of the Communities. This White Paper gives a more up-to-date and detailed assessment of these implications. Its purpose is to set out for the information

of the Oireachtas and the general public what membership will involve both for particular sectors and for the country as a whole, to the extent that this can be done at the present time. The assessment is not confined to the economic aspects of membership but covers also constitutional, legal and political implications. The Government hope that the White Paper will encourage informed and constructive discussion of the important issues that arise in relation to our accession to the Communities, bearing in mind that this may take place within a few years. It is particularly desirable that the various economic interests affected should inform themselves as fully as possible of the opportunities and the problems which membership may create for them and prepare in good time for the changes which membership of the Communities will entail.

4. It is not possible to give a precise date for Ireland's accession to the Communities since this depends on such factors as the time taken to complete the negotiations with all the applicants and, assuming the negotiations are successful, on the period necessary to complete the ratification of instruments of accession in the member States and the applicant countries. However, it would not be unreasonable to expect that negotiations and ratification could be completed in time to allow accession to take effect in 1973. It is generally accepted that a transitional period would be necessary to enable the present member States and the acceding countries to adapt themselves to the enlargement of the Communities—in particular, to the elimination of industrial protection as between the present members and the acceding countries, the adoption of the common customs tariff by the acceding countries and the phasing in of their participation in the common agricultural policy. The Commission, in its Opinion of 1 October 1969, suggested that the transitional period should be the same for industry and agriculture, that the duration and rate of progress should be the same for all the countries joining and that exceptional arrangements should be kept to a minimum. Other sectors in which transitional arrangements would be necessary are the free movement of persons, services and capital and the introduction of the principle of equal pay for the same work as between men and women. The duration and application of the transitional period will be settled in the accession negotiations.

5. A detailed account of the provisions of the Treaties establishing the three Communities and of the measures taken in their implementation up to the end of 1966 was given in the White Paper issued by the Government in April 1967, entitled *European Communities.** A number of the important measures taken since that date relate to the implementation of the EEC common agricultural policy and these are dealt with in a special study entitled *Irish Agriculture and Fisheries in the EEC* which will be issued by the Minister for Agriculture and Fisheries. A brief summary of the other major developments in the implementation of the Treaties since the 1967 White Paper is given in Appendix 2. Where necessary, these developments are set out in greater detail in the text of the present White Paper.

6. In many cases the assessments given in the present White Paper are necessarily incomplete or provisional. There are a number of reasons for this. In some instances a precise indication of the implications might anticipate the position the Government intend to adopt in the accession negotiations; for example, to give an estimate of the scale of Ireland's contribution to the expenses of the Community during the transitional period could be taken as indicating the arrangement which the Government would regard as acceptable for this purpose. In others, the assessment would depend on the outcome of the accession negotiations, in particular the transitional arrangements which would apply. In the case of industry and agriculture, the consequences will in considerable measure be determined not only by the terms of accession but also by the responses of individual firms and producers to the opportunities which will be created by our entry to the Communities. Another factor in the situation is that the Communities are an evolving entity. In a number of important areas decisions may be taken by the present member States which could modify any assessment of the implications for Ireland based on the present stage in the evolution of the Communities. Examples are the reform of agricultural structures in member States, possible changes in the level of the common

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*This White Paper is available from the Government Publications Sale Office, GPO Arcade, Dublin 1 (Price 12/-, plus 1/- postage) or through booksellers.

agricultural prices and the eventual level of harmonised rates of added-value tax. It was, therefore, decided in preparing this White Paper that quantified assessments should be published only where these could be based on fairly realistic assumptions.

7. The principal implications which emerge are

—accession to the Communities would involve an amendment of the Constitution;

—as regards the political implications of membership, the EEC is still at an early stage in its political evolution and its members are at present bound only by the terms of the Treaty of Rome, which does not impose specific obligations in the political field. As the Communities evolve towards their political objectives, those participating in the new Europe thereby created must be prepared to play their part in achieving those objectives. Ireland would have a voice in the shaping of the political development of the Communities as in other aspects of their activities;

—for industry in general the expectation is that, while there would inevitably be problems in the shorter term, the gains from EEC membership would be progressive and, in the longer term, would significantly outweigh any losses that might occur. It is expected that access to the enlarged Common Market would considerably enhance the attractions of Ireland as a base for new foreign industrial investment. While our grants for encouraging industrial development would come under review in the Community it is considered that they are in keeping with the objectives of the Treaty;

—membership would provide improved outlets at remunerative prices for most of our agricultural production. The areas of agricultural production which would be most likely to benefit are cattle and beef, milk and dairy products, sheep and lambs. Producers of pigs, poultry and eggs would have to meet higher feed costs but the effects could be offset by more efficient production. Cereals might show a swing from wheat to coarse grains with perhaps no significant overall change in acreage. Production of sugar beet and potatoes might show little change. Horticulture

would be likely to encounter difficulty, due to increased competition from Community supplies;

—it is tentatively estimated that the volume of our gross agricultural output by the latter years of the decade could be of the order of 30-40 per cent over the present level;

—higher prices for agricultural products could result in an increase of 11-16 per cent in food prices which, allowing for some change in the present pattern of consumption, would result in an increase of 3-4½ per cent in the consumer price index; the increase would be spread over the transitional period;

—it is not considered likely that the Treaty requirements for free movement of workers would have any significant effect on the Irish labour market;

—as regards fiscal policy, the main implication is the requirement to introduce the added-value system of sales taxation, which could entail changes in the general tax structure;

—so far as economic and monetary policies are concerned, membership of the Communities would involve the co-ordination of Irish policies with those of the other member States but in general our economic policies are consistent with those of the member States;

—the cost of implementing the principle of equal pay in the private sector cannot be readily estimated. Abolition of sex-differentiation in pay in the public sector would cost £1.25 million per year; if, in consequence, marriage-differentiated scales were to be abolished and related adjustments made in the pay of grades consisting entirely of women, the total cost would exceed £9 million a year;

—it is estimated that Ireland's contribution to the cost of running the Communities could be of the order of £19 million a year as from the end of her transitional period but might well be less. Membership would give rise to a saving of at least £36 million a year in Exchequer support to agriculture.

CHAPTER 1

CONSTITUTIONAL AND LEGAL IMPLICATIONS

Constitutional Implications

1.1 Participation in the European Communities involves the exercise by Community institutions of certain powers previously reserved to the Governments, legislatures and judiciaries of the member States.

1.2 The Treaties establishing the European Economic Community and the European Atomic Energy Community confer on the Council and Commission power to issue regulations and directives and to take decisions. *Regulations* have general application, and are binding in their entirety and take direct effect in each member State. *Directives* impose obligations on the member States to which they are directed. They are binding as to the result to be achieved, while leaving to national authorities the choice of form and methods. *Decisions* are binding in every respect upon those to whom they are addressed.

1.3 Under the Treaty establishing the European Coal and Steel Community the Commission is empowered to take *decisions* which are binding in every respect, and to issue *recommendations* which are binding as to the objectives which they prescribe while leaving to those to whom they are directed the choice of appropriate methods for attaining those objectives.

1.4 Furthermore, the Treaties contain a number of provisions which are directly applicable in national law, e.g. Article 85 of

the EEC Treaty which prohibits various types of restrictive trade practices.

1.5 Among the provisions of the Constitution which have to be considered in this regard are:—

(i) Article 5 which states that Ireland is a sovereign, independent, democratic state;

(ii) Article 6.2 which provides that the legislative, executive and judicial powers of government are exercisable only by or on the authority of the organs of State established by the Constitution;

(iii) Article 15.2 which vests in the Oireachtas the sole and exclusive power of making laws for the State and provides that no other legislative authority has power to make laws for the State.

1.6 The Court of Justice, which is common to all of the Communities, is given a special status under the three Treaties. For example, Article 164 of the EEC Treaty provides that the Court of Justice shall ensure that the law is observed in the interpretation and implementation of the Treaty, and Article 173 entitles any person to have resort to the Court of Justice in respect of regulations or decisions of the Community which affect him. These provisions could be held to be inconsistent with Article 34.1 of the Constitution which provides that "Justice shall be administered in courts established by law by judges appointed in the manner provided by this Constitution".

1.7 Again, Article 177 of the EEC Treaty provides that, where any question concerning the interpretation of the Treaty, the validity and interpretation of measures taken by the institutions of the Community or the interpretation of the statutes of bodies set up by the Council is raised in a case before a domestic court from whose decision there is no right of appeal under domestic law, that court must refer the matter to the Court of Justice. This provision could be held to be in conflict with

Article 34.4.6° of the Constitution which states that "The decision of the Supreme Court shall in all cases be final and conclusive".

1.8 The EEC Treaty provides for the conclusion of agreements, in some cases on the basis of unanimous vote and in other cases on the basis of majority vote, between the Community and other States and Article 228 lays down that such agreements are binding on member States. These provisions could be held to be in conflict with Articles 29.5.2° and 29.6 of the Constitution which provide, respectively, that the State shall not be bound by any international agreement involving a charge upon public funds unless the terms of the agreement shall have been approved by the Dáil, and that no international agreement shall be part of the domestic law of the State save as may be determined by the Oireachtas.

1.9 An Interdepartmental Committee under the chairmanship of the Attorney General has considered the implications of membership of the European Communities with respect to the Constitution and has concluded that an amendment to the Constitution would be necessary to enable the State to undertake membership of the Communities and the obligations arising from such membership.

Legal Implications

1.10 The Treaties establishing the Communities are primarily concerned with economic and commercial activities and related social matters and it is principally in these fields that amendments to our domestic legislation would be necessary. Most other aspects of domestic law would be unaffected by our entry into the European Communities.

1.11 The Attorney General's Committee is examining with the individual Departments the changes which would be

required in our domestic laws in order to adapt them to the provisions of the Treaties and action taken in implementation of these provisions.

CHAPTER 2

POLITICAL IMPLICATIONS

2.1 The political implications of membership of the European Communities can be defined as the effects which it would have on Ireland's national sovereignty, viz. her autonomous powers of decision over domestic and foreign policies. It should be borne in mind that all international co-operation involves some limitation on sovereignty. Even a simple bilateral trade agreement, with its reciprocal commitments, places curbs on the freedom of action of the parties. International agreements to which Ireland is a party, such as the General Agreement on Tariffs and Trade, the Statute of the Council of Europe, the European Convention on Human Rights or the Charter of the United Nations, place obligations on the participating States, some of which involve substantial derogations from sovereignty. For instance, Article 25 of the United Nations Charter binds the Member States to accept and carry out the decisions of the Security Council; under the European Convention on Human Rights, Ireland has accepted the right of individual petition to and the compulsory jurisdiction of the European Court of Human Rights. The scope of the Treaties of Rome and Paris is, however, much wider than that of the usual type of international agreement, and, as indicated in the various chapters of this White Paper, inherent in becoming a party to them is a corresponding range of limitations on the freedom of action of the members.

2.2 The first aim of the Treaty of Rome, as stated in its Preamble, is " to establish the foundations of an ever closer union among the European peoples ". Despite the fact that action to bring about the objective of European political union is not formally provided for in the Treaty, there is no doubt that this objective was present in the minds of the authors of the Treaty and that the work of the EEC Commission is oriented towards an essentially political goal. The Commission's

Opinion of October 1969 on the applications for membership of Ireland, Britain, Denmark and Norway stated that the current Treaties of Rome and Paris " are only one step towards the construction of an increasingly united and institutionalised Europe. The applicant countries must be fully aware of the fact that they are not only joining an economic and social undertaking, but that they will be required to participate fully in creating a continent which is economically and politically united ". The Heads of State or Government of the six Common Market countries, in the Communiqué issued at the close of the Summit meeting held in The Hague in December 1969 (see Appendix 1) reaffirmed " their belief in the political objectives which give the Community its meaning and purport, their determination to carry their undertaking through to the end, and their confidence in the final success of their efforts ".

2.3 It is difficult at present to define in any precise terms what political consequences would ensue from membership of the Communities, since there is no agreement among the Six as to what the political obligations of member States should be, nor is this specified in the Treaties establishing the Communities. Progress in the political development of the Communities has been very slow up to the present time. An effort was made in the direction of political development with the Bonn Declaration of July 1961 in which the Heads of State or Government of the Six recorded their resolve " to develop their political co-operation with a view to the union of Europe ". A different approach to political development was embodied in the proposals of the Fouchet Committee of 1961-62, which envisaged a new institution covering foreign policy, defence and cultural matters, with a Council at Head of Government or Foreign Minister level, a Political Commission of high officials and an Assembly of very limited powers. This plan was not adopted.

2.4 The Commission has been urging the institutional development of the Communities, within the context of enlargement. The problems which will arise from the admission of four new member States are fully examined in the Commission's two Opinions of September 1967 and October 1969. Noting the disagreements which then persisted over the budgetary powers and

method of election of the European Parliament, the voting procedure in the Council and the Commission's executive authority, the Opinion of October 1969 stated that—

> " the progress of integration has thus been appreciably slowed down and sometimes completely blocked. The delays affecting the Community's relations with the rest of the world, particularly in its commercial policy, and the high cost of certain aspects of the agricultural policy are, to a large extent, a result of these institutional aberrations. And these drawbacks are likely to be even more numerous in an enlarged Community ".

Consequently, in order to avoid the Community's achievements being threatened by the effects of enlargement, the Commission urged the strengthening of the Community institutions and also stressed " that the cohesion and the dynamism which are indispensable for the Community depend in part on the convergence of the national policies of the member States, in particular, but not exclusively, of their foreign and defence policies ".

2.5 At the Hague Summit meeting already referred to, the Heads of State or Government of the Six instructed the Foreign Ministers to study the best way of achieving progress in the matter of political unification, within the context of enlargement, and to report before the end of July 1970.*

2.6 It will be seen from the foregoing that the EEC is still at a very early stage in its political evolution and its members are at present bound only by the general terms of the Treaty of Rome, which do not impose specific obligations on member States in the political field. In this situation it is not possible to be more precise now about the political implications of membership which may evolve. The Government have clearly indicated our acceptance of the aims of the Treaty of Rome and our readiness to join with the member States of the EEC

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*Following a discussion by the Foreign Ministers of the Six on 6 March 1970, a group of senior officials of the member States is to continue study of the question of political unification up to the end of May when the Foreign Ministers will again meet to discuss it.

in working towards the realisation of these aims. It is recognised that, as the Communities evolve towards their political objectives, those participating in the new Europe thereby created must be prepared to assist, if necessary, in its defence. As a member of the expanded Communities, Ireland would be playing her part in shaping their political development and, therefore, would have a voice in all the decisions to be taken in this field, as in other aspects of the Communities' activities.

CHAPTER 3

REPRESENTATION ON THE INSTITUTIONS OF THE COMMUNITIES

3.1 The enlargement of the Communities to admit the four applicant countries would involve changes in the composition of the Communities' institutions to allow for the representation of and participation by the new member countries in the institutions. It would also necessitate, in the case of the Council, the introduction of a new system of weighted voting and qualified majority to replace the system prescribed in the Treaties. The main institutions concerned are the European Parliament, the Council, the Commission and the European Court of Justice, which are common to the three Communities. The Economic and Social Committee, which is common to the EEC and EURATOM, assists the Council and Commission in a consultative capacity.

The European Parliament

3.2 Provision would require to be made, on the enlargement of the Communities, for the nomination by the Parliaments of the new member countries of delegates to the European Parliament. The total number of delegates at present provided for is 142 apportioned among the member States as follows:—

Belgium	14
France	36
Germany	36
Italy	36
Luxembourg	6
Netherlands	14
	142

3.3 Each member State has twice the number of seats in the European Parliament that it has in the Consultative Assembly of the Council of Europe. The distribution of seats in the Consultative Assembly is largely based on the populations of the countries which are members of the Council of Europe and, under this system, Ireland has 4 seats, Britain 18 and Denmark and Norway 5 each. The revised apportionment among member States of the enlarged Communities of delegates to the European Parliament will be a matter to be settled in the accession negotiations.

3.4 The procedure for the nomination of delegates is left to each member State. The European Parliament submitted proposals to the Council in 1960, in accordance with the Treaty, for the direct election of its members on the basis of universal suffrage. No progress has been made on the adoption by member States of the proposals which provide, *inter alia,* for the number of members to be trebled to 426.

The Council

3.5 The Council consists of a representative of the Government of each member State. The Foreign Ministers of the member States are generally regarded as their countries' chief representatives on the Council but the Ministerial representation may vary according to the subjects under discussion. Upon the admission of the four applicant countries to the Communities, the Council would have to be increased from six to ten to allow for representation of each of the new members including Ireland.

3.6 The introduction of a new system of weighted voting and qualified majority on matters relating to the EEC and EURATOM would consequentially be necessary. Under the EEC and EURATOM Treaties certain decisions are taken by the Council unanimously and others by qualified majority vote.* For the latter purpose, the member States have been allotted the following weighted votes:—

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*In this connection see paragraphs 35 and 36 of the White Paper of April 1967.

France, Germany, Italy	4 each
Belgium, Netherlands	2 „
Luxembourg	1
Total	17

The qualified majority has been prescribed as

—12 votes in cases where the Treaty requires a decision to be taken on a proposal by the Commission;

—12 votes cast in favour by at least four members in all other cases.

Each of the new member States would have to be allotted a weighted vote and, in the working out of the new system, the votes of the present member States might have to be altered. The qualified majority would also require adaptation. The new system will be a matter to be settled in the accession negotiations. Some changes might also be necessary in the Council's voting procedures on matters relating to the European Coal and Steel Community (see paragraph 643 of the 1967 White Paper).

The Commission

3.7 The Executives of the three Communities were merged into a single Commission as from 1 July 1967. Prior to the merger, the EEC Commission had a membership of nine which was increased to fourteen in the merged Commission. The Treaty for the merger of the Councils and the Executives provides for a Commission membership of fourteen until the entry into force of a Treaty establishing a single European Community or, at the latest, for a period of three years, and for a reduction then to nine members. The number of Commission members can be changed by unanimous decision of the Council. Only nationals of the member States can be appointed to the Commission. Not more than three nationals of any member State can be members of the Commission of fourteen. For the Commission of nine members it is stipulated that at least one and not more than two nationals of each member State should be members.

3.8 The changes necessary in the membership of the Commission consequent on the enlargement of the Communities will be a matter to be settled in the accession negotiations. The Commission, in its Opinion dated 1 October 1969, expressed the view that it would not be politically feasible at the present stage of development of the Communities to envisage an arrangement under which the Commission would not include nationals of all member States.

3.9 The members of the Commission are appointed by mutual agreement between the Governments of the member States.

The Court of Justice

3.10 The Court of Justice at present consists of seven judges. The Treaties provide that they shall be chosen from persons whose independence can be fully guaranteed and who fulfil the conditions required for the exercise of the highest judicial functions in their respective countries or who are legal experts of universally recognised and outstanding ability. The judges are appointed by mutual agreement between the Governments of the member States for a term of six years but they are eligible for reappointment. The Treaties contain no provision for the appointment of judges on the basis of nationality. In practice, however, at least one national of each member State is appointed a judge. A consideration in the agreement among member States that a national of each of them should be appointed to the Court was that, since the national law of a member State would be involved in practically all cases heard by the Court, there should be at least one judge well versed in the system of law concerned.

3.11 With the admission of the four applicant countries to the Communities, the question would arise of an increase in the membership of the Court and the appointment of judges well versed in the systems of law of the new member States. The suitability of judges appointed from the new member States would be assessed by reference to the criteria prescribed in the Treaties and the appointments would require the agreement of all the member States. The question of increasing the membership of the Court will be settled in the accession negotiations.

The Economic and Social Committee

3.12 The Economic and Social Committee, which is a consultative body, represents various categories of economic and social activity, in particular, producers, farmers, transport operators, workers, merchants, artisans, the professions and the general interest. The Committee consists of 101 members allotted as follows among member States:—

France, Germany, Italy	...	24 each
Belgium, Netherlands	...	12 „
Luxembourg ...	...	5

The members are appointed by the Council in their personal capacity. The appointments are for four years and are renewable. Member States submit lists, containing twice as many names as they have seats allotted to them, and appointments are made from these lists.

3.13 With the admission of the applicant countries to the Communities, the Economic and Social Committee would require to be enlarged to allow for the representation of the new member States. The question of the allocation of seats to the new members will be a matter for negotiation.

Other Committees

3.14 The admission of new member States to the Communities would also entail the enlargement of the various other committees which are specifically provided for in the Treaties or which have been established by the main institutions in pursuance of their functions. Ireland, as a member of the Communities, would be entitled to representation on these bodies.

CHAPTER 4

INDUSTRY

4.1 In this Chapter, consideration is given to the principal consequences and implications which our accession to the EEC would have for the industrial sector. These are dealt with under the following main headings:

—the Customs Union;

—Restrictive Practices and Abuse of Dominant Positions;

—Dumping;

—State Aids;

—Technology.

4.2 The general state of preparedness of Irish industry for EEC membership is commented on in paragraphs 4.34 and 4.35 (with more detailed information in Appendix 3). In the final paragraphs of this Chapter a general assessment is made of the prospects for Irish industry in EEC conditions.

The Customs Union

4.3 The more obvious implications of EEC membership in the industrial sector arise from the obligations we would assume and the advantages that would accrue to us under the provisions relating to the Customs Union. We would be required, over the transitional period:—

(a) to dismantle protection against imports originating in other member States of the enlarged Community, and

(b) to bring our protection against imports from non-member countries into line with the common level of protection of the Community.

In return, Irish producers would become entitled to access for their products to the enlarged Community, free of the duties, quotas or other restrictions which now apply to them.

ELIMINATION OF PROTECTION IN INTERNAL COMMUNITY TRADE

Imports into Ireland

4.4 The obligations we would assume in the EEC to eliminate, over the transitional period, protection against imports originating in the enlarged Community are, in principle, much the same as we have already assumed in relation to most of our trade in industrial goods with the U.K., under the Anglo-Irish Free Trade Area Agreement. The obligations of EEC membership in the industrial sector, however, involve more than a geographical extension of the Free Trade Area Agreement. There is, of course, the basic distinction that the Agreement is primarily concerned with bilateral trade relations as such whereas the Treaty provisions provide a framework for the integration of the national markets and the economies of the member States. Furthermore, from the free trade aspect, the product coverage of the Treaty provisions is total whereas the coverage of the Free Trade Area Agreement is less than total. Certain Irish imports of industrial products, e.g. jute, sugar confectionery, chocolate confectionery and biscuits, are excluded from free trade in the Anglo-Irish context due principally, in the case of the latter three products, to the existence of different price support systems in the U.K. and Ireland resulting in British manufacturers having access to the necessary raw materials at lower prices. Furthermore, there is provision in Article 1 (5) of the Agreement for the possible exclusion from the further operation of free trade of goods representing up to 3 per cent by value of imports from the U.K. into Ireland, following a review to be conducted in the year beginning 1 July 1970. The permanent exclusion of industrial goods would not be permitted within the EEC, so that goods excluded from free trade under the Free Trade Area Agreement would be subject to the dismantlement of protection and this would apply to imports from the U.K. as a member of the enlarged Community. The action that could be taken to deal with sectoral difficulties will be one of the matters which will arise in the negotiations for EEC membership. An assessment of the implications for Irish industry of the

removal of protection is given in paragraphs 4.36 to 4.47 of this Chapter, which deal with the prospects for our industry in EEC conditions.

Exports from Ireland

4.5 The existing members of the EEC and the applicant countries (other than the U.K.) would have an obligation to eliminate their duties and other forms of protection against imports from Ireland. (In the case of the U.K. we already have duty-free access for all our industrial exports.) In general, the EEC duties applicable to Irish industrial products are already at a fairly low level and when the final "Kennedy Round" tariff reductions, due to be made in 1972, are implemented the average EEC tariff on manufactured goods will be of the order of 8 per cent.

ALIGNMENT OF PROTECTION IN COMMUNITY EXTERNAL TRADE

4.6 Concurrently with the removal of protection against goods from within the EEC, the new members of the Community would be adjusting their protection against non-EEC countries so as to bring it into line with the common level of external protection adopted in the Community. There is no corresponding requirement in the Free Trade Area Agreement since both Ireland and the U.K. are, apart from certain very limited obligations, free under the Agreement to vary the level of their external duties.

4.7 During the transitional period, our tariffs against non-EEC goods would, except in cases where both the Irish and EEC duty positions are "nil", be moving (upwards from "nil" duty positions and downwards from higher duty positions) to the level of the EEC external duty for each heading in the EEC Tariff. This would have implications for Irish producers for the home and export market as regards (i) access to and cost of materials for processing, and (ii) competition from imports from outside the Community area. Where, as in the case of very many industries, Irish manufacturers at present draw their materials from sources within the EEC and the applicant States, or where existing non-EEC sources could be replaced by satisfactory EEC sources, materials costs would not be affected. Where, however, Irish manufacturers are drawing

materials from a non-EEC source which cannot be matched within the Community, the cost of these materials would be increased in so far as production for sale within the Community is concerned. However, the EEC external tariffs on raw materials are generally low.

4.8 So far as the British market is concerned, Irish exporters and British home manufacturers at present have, in many cases, access to the same sources of raw materials without payment of duty. Where such materials became subject to the common customs tariff of the EEC—which would, of course, apply only to sources outside the enlarged Community—the existing relative competitive position as between Irish and British producers should not be significantly affected. However, the British market generally would become subject to increasing competition from other manufacturers within the EEC according as the present British duties against the existing member States were eliminated. Where an Irish exporter at present has an advantage in raw materials costs over his British competitors, e.g. by getting duty-free materials where British producers have to pay duty or buy dearer British materials, the Irish exporter would lose this advantage in due course as his British competitors would have access to materials on common terms.

4.9 The practice whereby Irish exporters may claim a refund of duty or obtain duty-free licences in respect of imported materials required for the export trade—generally termed "drawback"—does not affect our right to duty-free access to the British market, subject to compliance with the Rules of Origin under the Free Trade Area Agreement. In general, drawback is not permitted in intra-Community trade—the appropriate common customs tariff must normally be paid on non-EEC materials used in processed goods before they can qualify for free circulation within the Community. In due course, therefore, the existing practice in regard to drawback would have to be eliminated in respect of dutiable raw materials imported from outside the enlarged Community and incorporated in Irish exports to the enlarged Community, including the U.K. Exporting firms which now draw raw materials from sources within the enlarged EEC or use materials which are not dutiable in the Community would, as already indicated, be unaffected in this regard. The use of drawback in respect of exports

to non-EEC countries could be permitted to continue, subject to EEC regulations generally aimed at protecting the position of Community raw materials of the kind involved and Community exporters using these materials.

4.10 There is provision in the EEC for the establishment of " tariff quotas " i.e. fixed quantities of certain materials which may be imported either free of duty or on payment of a rate below the level of the common customs tariff. These apply, however, only to a limited number of commodities, largely basic raw materials, the Community production of which is inadequate.

4.11 The reduction of our duties on products originating outside the enlarged EEC to the generally lower levels of the common customs tariff could create problems for home market producers in addition to those arising from EEC competition. In certain sensitive areas of trade, e.g. the textile sector generally, it would be possible for us, in accordance with the common commercial policy of the Community (see Chapter 10), to take protective measures against such imports from low-cost sources and State-trading countries.

4.12 The association agreements which have been concluded between the Community and certain countries* are not currently of major trading significance from our point of view. However, it seems likely that, following the conclusion of the accession negotiations for the four applicants for membership of the EEC, arrangements would be concluded which would regulate trading relations between the enlarged Community and certain European countries. It has also been suggested that agreements similar to the Yaoundé Convention might be entered into with certain developing Commonwealth countries.

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*Association agreements have been concluded with Greece, Turkey, Morocco, Tunisia, the East African States (Kenya, Uganda and Tanzania) and, in the Yaoundé Convention, with the following African and Malagasy States:

Kingdom of Burundi, Federal Republic of Cameroon, Central African Republic and the Republics of Chad, Congo (Brazzaville), Congo (Kinshasa), Dahomey, Gabon, the Ivory Coast, Malagasy Republic (Madagascar), Mali, Mauritania (Islamic), Niger, Rwanda, Senegal, Somalia, Togo, Upper Volta.

4.13 Developments on the lines indicated in paragraph 4.12 would eventually extend our free trade obligations and advantages over a wide geographical area and might include European countries with which we now have important mutual trade. While this would open our markets to additional competition from some highly industrialised countries, there would be the compensating advantages of more favourable terms of access for our exports to these and other countries than we have at present. Furthermore, the developing countries likely to enter into association with the Community are important suppliers of raw materials to which we would continue to have duty-free access and these countries are providing increasingly important opportunities for exports.

Restrictive Practices and Abuse of Dominant Positions

4.14 The rules of competition laid down in the Treaty, covering restrictive practices and abuse of dominant positions, are explained in some detail in Chapter 7—Competition Policy—of the White Paper of April 1967. In summary, the Treaty prohibits any agreements, decisions or concerted practices which may affect trade between member States and which have as their object or effect the prevention, restriction or distortion of competition within the Common Market. There is provision for the exemption from this prohibition of arrangements which help to improve the production or distribution of goods or to promote technical or economic progress subject, however, to the maintenance of reasonable competition and consumer benefit. The Treaty also prohibits action by one or more enterprises to take improper advantage of a dominant position, to the extent to which trade between member States may be affected; the relevant provisions are not, however, designed to prevent the attainment of a dominant position as such.

4.15 The provisions of the Treaty in this field are directly binding on individuals and companies in member States and no specific prior decision prohibiting a particular restrictive practice or abuse of a dominant position is required.

4.16. The Commission is empowered to carry out investigations and to issue recommendations and decisions to undertakings and associations regarding the compatibility of particular

practices with the Treaty provisions. It can impose penalties for infringements. In July 1968 the Commission announced a new and more flexible policy towards inter-company agreements. The Commission favours co-operation between small and medium-sized companies where such co-operation facilitates more productive and more competitive operation in the Community market. Co-operation among larger enterprises will also be allowed provided it does not restrict competition.

4.17 In the carrying out of investigations, the Commission's practice is to maintain close contact with the Governments concerned and to consult them before a final decision is taken. While no fines were imposed in the first 8 years of the Community's existence, the powers of the Commission were emphasised recently when in July 1969 six Community quinine producers were fined a total of $500,000 for operating a market-sharing agreement and ten manufacturers of dyestuffs, a number being non-Community firms, were fined almost $500,000 for price fixing.

4.18 It is not envisaged that acceptance of the Treaty provisions and EEC regulations on restrictive trade practices, etc. would give rise to any serious problems for Ireland.

Dumping

4.19 Dumping normally takes place when goods are exported abroad at prices lower than those at which they are sold on the home market and injury is caused or threatened thereby to an industry in the country to which they are exported.

4.20 The Treaty allowed action to be taken against dumping from within the Community during the transitional period, which expired on 31 December 1969. The Commission, after investigating a complaint of dumping, could authorise an injured member State to take appropriate protective measures if its recommendation to those responsible for the dumping practices had not proved effective in putting an end to them. As a further discouragement to dumping the Treaty also contains what is known as a "boomerang" provision under which exported products must be re-admitted to the country of export free of

all customs duties, quotas or other similar measures. During the transitional period to be agreed upon for the applicants we would expect that the arrangements outlined in this paragraph would apply.

4.21 The Treaty does not provide for action against dumping as between member States after the transitional period, since the unified market of the six member States is deemed to be, in effect, an enlarged home market. However, Article 86 of the Treaty prohibits the exploitation in an improper manner of a dominant position within the Common Market or a substantial part of it, including such improper practices as unfair purchase or selling prices. The Commission is empowered to ensure the observance of this prohibition by the imposition of penalties and could possibly take action against dumping under this provision.

4.22 Measures directed against dumping in the EEC by non-members come within the scope of the Community's common commercial policy (see Chapter 10). A regulation which came into force on 1 July 1968 lays down procedures for the examination of complaints of dumping from third countries and the imposition of anti-dumping duties. During the transitional period the examination of complaints and the imposition of duties could be undertaken by individual member States except where the markets of all the member States were affected at the same time or the goods were agricultural products subject to the common agricultural policy. With the expiration of the transitional period the examination of complaints and the determination of rates of duty have become the responsibility of the Commission and the Council. The regulation provides that after the transitional period the determination of injury caused by dumping shall, save in exceptional circumstances, be based on the effects of the imports on the particular Community industry as a whole.

4.23 Ireland is particularly vulnerable to dumping from highly industrialised countries because of the small size of our home market and of our industrial units. In so far as the EEC arrangements could create difficulties in this regard, it would be proposed to discuss the matter in the course of the negotiations.

State Aids

4.24. State aids which distort or threaten to distort competition are, to the extent to which they adversely affect trade between member States, deemed to be incompatible with the Common Market. The Commission, subject to the overriding authority of the Council, decides what aids can be allowed and which have to be eliminated or adapted.

4.25 The Commission has already indicated the general principles on which it considers Community policy should be based. Its views may be summarised as pointing to the conclusion that State aids are justifiable in two fields only, (a) regional policy and (b) sectoral policy as part of a structural policy designed to achieve the adaptation of industry to meet Common Market conditions.

4.26 The question of State aids for regional development is dealt with in Chapter 9 (paragraph 9.26) under the heading of " Regional Policy ".

4.27 Dealing with a structural policy for industry, the EEC's Second Medium-Term Economic Policy Programme recommends that support for individual industries should be given only in exceptional cases. It should go firstly to a small group of particularly promising growth industries where, having regard to the high cost of research, independent and worthwhile development is beyond the means of individual enterprises and too risky for them to undertake on their own. Secondly, public support should be used to help certain industries that have to cope with considerable structural difficulties and might be the source of serious economic and social damage if left to their own devices. At the same time, in the case of declining industries, it is only in exceptional circumstances that action should be taken to slow down the process of contraction. Efforts should rather be concentrated on retraining the workers and finding them new jobs.

4.28 The aim of the Commission as regards sectoral aids is to harmonise the levels of assistance offered in individual member States. One of the industries which the Commission considers

requires State assistance, in order to combat the distortion of competition by non-member countries, is shipbuilding and agreement has been reached on the harmonising of State aids in that sector.

4.29 Our system of industrial grants, as at present operated, is of national application with regional variations designed to have regard to the geographical and other disadvantages inherent in establishing an industrial undertaking in the western areas of the country. On joining the European Communities our State aids would come under review by the Commission with a view to determining their compatibility with the Common Market, and we would maintain that, having regard to the purpose of these incentives for industrial development and the circumstances of the Irish economy, they are in keeping with the objectives of the Treaty.

Technology

4.30 The member States reached agreement during 1967 on the necessity for co-operation in science and technology. The background to this agreement was an awareness of the growing technological gap between Europe and the United States of America and of the need in Europe to keep pace with the development and application in industrial production of new techniques and methods. Member States began practical consideration of possible co-operation in October 1967. Following agreement among them on procedures and the completion of technical studies by a Community expert group, invitations to participate in the proposed co-operation were addressed in November 1969 by the Community to Ireland, the three other applicant countries (the U.K., Denmark and Norway) and to five other European countries (Austria, Portugal, Spain, Sweden, Switzerland).

4.31 The Community furnished with its invitations documents summarising the results of the studies carried out by the expert group. These covered co-operation possibilities in seven sectors, viz. information science (i.e. data-processing), telecommunications, new means of transport, oceanography, metallurgy, environmental pollution and meteorology, and identified forty-seven

projects as being suitable for co-operative development at European level. There had been a large measure of agreement among the member States on the importance and urgency of thirty of these projects. The Government have replied welcoming the initiative and accepting the invitation and have indicated, on the basis of a preliminary examination, that some of the projects are of likely interest to this country. The Community was informed that additional information would be necessary to permit a considered assessment of the programme as a whole and that the Government were ready to collaborate in an examination of the projected activities. The other countries invited have also replied affirmatively to the Community's invitation.

4.32 It is envisaged that there should now be discussions of the proposed programme by experts representing all the participating countries followed by decisions at Ministerial level on the experts' recommendations. If the proposed co-operation in technological and scientific research proceeds, it is important that Ireland should participate in it. It would clearly be of advantage to small countries such as Ireland with limited technological and scientific research capacity to be associated with this co-operative venture.

The state of preparedness of Irish industry

4.33 In Appendix 3 an account is given of the measures and policies adopted to prepare Irish industry for the onset of free trade. Information is also given in the Appendix on the progress achieved in the expansion of industrial production, employment and exports.

4.34 Attitudes in Irish industry have, without doubt, changed considerably over the past seven or eight years: protectionist, inward-looking attitudes have, for the most part, been replaced by a more progressive, outward-looking, export-conscious, approach. These psychological changes are not quantifiable but are nevertheless real. However, there are a number of disquieting aspects. It is doubtful, for example, if, even still, there is everywhere in industry a sufficiently deep appreciation of the realities of free trade or a proper realisation of the changes it will entail in the trading and industrial situation to which Irish industry has been accustomed. More disturbing, however, is the

fact that inflationary increases in industrial costs are making our products progressively less competitive in home and export markets even before free trade has become a reality.

4.35 In brief it can be said that

—industry is now much stronger and more widely-based than it was when the surveys by the Committee on Industrial Organisation (CIO) began in 1961;

—this increased strength is reflected in the increased volume of output and, more so, of exports, and in the increased employment provided by older-established as well as by the newer firms sponsored by the Industrial Development Authority (IDA).

—the extent of the investment in new equipment reflects the increased confidence of much of Irish industry in its capacity to meet free trade;

—industry in general is now far less protection-minded than formerly; there is a much better appreciation and acceptance of the need for changes in attitudes and practices but there is room for much further improvement;

—adaptation to free trade is a continuous process, the pace of which must now be accelerated in view of the likelihood of our early accession to EEC;

—by providing funds, incentives, facilities and services, the State has assisted industry to make the necessary transformation but the State cannot itself effect that transformation;

—the responsibility rests mainly with industry to gear itself for free trade; despite the undoubted progress on different fronts of the past seven or eight years, industry's all-round preparedness might be described as uneven and capable of considerable improvement.

General Assessment

4.36 Consideration of the implications of EEC membership for Irish industry must, in the first instance, have regard to the operation of the Anglo-Irish Free Trade Area Agreement. The

fifth annual reduction of tariffs under this Agreement is due to be made on 1 July 1970 and we shall then be at the half-way stage in the progression to a free trade situation with the U.K. Indeed, taking into account the two unilateral tariff reductions introduced by the Government in 1963 and 1964, Irish tariffs on most British industrial products have already been cut to about half the level at which they were originally fixed. From now on, the reductions in these tariffs will be progressively more critical. For many sectors of industry, therefore, the impact of free trade will have become fairly fully felt some time before our market would be open to European competition in general. For these industries, the main testing time will be the two or three years immediately prior to 1975. Undoubtedly there will be some industries for which the removal of protection against imports from the EEC and the reduction of protection against third countries would likely be of special significance because of the particular competitiveness of the imported goods concerned.

4.37 The EEC obligation to align our duties against non-Community imports with the level of the common customs tariff could involve increased costs for some firms using imported dutiable materials from outside the enlarged Community, and thus affect their competitive position in both the home and British markets. It seems unlikely, however, that this aspect will have serious implications for industry in general. To a large extent the materials used by Irish industry, both for home and export purposes, are bought from countries which will make up, or which are likely to be associated with, the enlarged Community and even where this is not so, it is possible that, in some cases, satisfactory alternative sources of supply within the enlarged Community could be found. Where Irish firms found it necessary to continue to draw basic raw materials from outside the Community, it is likely that, in most cases, the materials would be either free of duty or subject to a fairly low level of duty. However, where Irish producers trading on the home market or in the British market had to meet extra materials costs arising from payment of the common customs tariff or the substitution of materials from more costly EEC sources, this aspect would add to the difficulties arising from the increasing competition in these markets as the Irish and British duties are removed.

4.38 Industrial activities at the Shannon Customs-Free Industrial Zone are based to a substantial degree on the processing for re-export of materials imported free of duty from countries other than those which will constitute the enlarged Community. The position of the Zone will have to be the subject of discussion with the Community.

4.39 Not every Irish firm can expect to survive in free trade. It is to the potential for exports within the enlarged Community—a buoyant market of over 250 million consumers where the variety of demand will be virtually limitless—that we must look for the gains to offset any losses in the home market and also to permit of the necessary expansion of our industrial base. There would be increased opportunities—

(a) for existing firms through access to wider markets;

(b) for the establishment of new export-oriented industries to serve the enlarged free trade market.

This further widening of the industrial base could be expected to lead in turn, through linkage, to added opportunities for existing manufacturers, including those in the small industry category, and for service-type industries. The necessary switch of labour resources would be facilitated by our scheme for the retraining and resettling of workers, which would be eligible for assistance from the European Social Fund (see Chapter 11).

4.40 While it is reasonable to expect that membership of the EEC would considerably enhance the attractions of Ireland as a base for new foreign industrial investment, it is essential that the existing industries should exploit to the fullest extent the new export opportunities which would be open to them. In so far as the EEC duties on industrial products will be at a low level, following full implementation of the " Kennedy Round " reductions, it could be suggested that the additional trading margins arising from the elimination of the duties following our accession to membership would not be very great. It is only part of the answer to this to say that, in the keenly competitive field of export marketing, the margin represented by even a moderate level of duty would very often be critical. Removal of the duties is only one aspect. Membership of the Common Market would require our fellow-members

to remove restrictions on Irish products; it would provide common terms of access to raw materials for ourselves and other Community producers; and, in general, progress in the harmonisation of customs procedures, taxation and fiscal policies, and in many other fields, is aimed at the elimination of all obstacles which tend to inhibit trade within the Community.

4.41 In 1969, our industrial exports, excluding those from the Shannon Customs-Free Industrial Zone, to the six present member countries of the EEC were valued at approximately £29 million. This represents, at current prices, almost a nine-fold increase as compared with 1960 and these exports expressed as a percentage of our total industrial exports have more than doubled in that period. In the same period, industrial exports to the EFTA countries, other than the U.K., increased from approximately £1.2 million to about £3.6 million. At present, Irish exports to the Community, where dutiable, are subject to the common customs tariff on the full value of the finished goods. As a member of the EEC we would have duty-free access to the enlarged Community for all our exports though any materials of third country origin included in the goods would, of course, have been charged with the common customs tariff on importation into Ireland. This would provide scope not only for a substantial increase in exports in absolute terms but also for an acceleration of the process of diversification of export markets, which would make us less vulnerable to fluctuating conditions in an individual market.

4.42 Looking, therefore, at industry as a whole it is reasonable to expect that the gains from membership would be progressive and, in the longer term, should significantly outweigh any losses that might occur. The probable position in the earlier years of membership is more difficult to forecast as it is then that the problems caused by elimination of protection and adjustment to the enlarged market would chiefly arise; but given a determined effort to overcome those problems, it should be possible to maintain in those years an industrial growth rate of the order of that projected in the Third Programme for the period 1969/72. The increasing pressures of trading in a situation where tariff and quota protection of the home market against Community imports would not be permitted, and where traditional export markets would become increasingly competitive, would undoubtedly create serious difficulties in some

sectors. However, experience would be likely to vary from sector to sector within industry as a whole and even from firm to firm within a particular industry. In some sectors, the result would often depend on the extent to which a particular firm had adapted its production methods or rationalised its product policy in sufficient time, and with sufficient energy, to cope with the new situation. Changes in the structure and pattern of Irish industry, partly as a result of increasing competitive pressures and partly as a result of the opening up of new trading opportunities, would seem inevitable—this has been the experience of the operation of the Common Market on the economies of the existing member States of the Community.

4.43 The prospect of increased competition at home, and the possibilities of increased exports in an enlarged EEC, underline the need to maintain industrial costs at competitive levels. This applies particularly to labour costs which in 1969 increased at a much faster rate than in the EEC or in any of the other applicant countries. If the benefits of membership are to be maximised, and the disadvantages minimised, this trend must be corrected.

4.44 It is necessary to face up to the fact that membership of the EEC would pose problems, possibly of a serious nature, for some sectors of industry as well as for individual firms. Nothing must be left undone, either at the appropriate levels in industry or by the State agencies concerned, to solve or at least mitigate these difficulties. But it would be an unbalanced reaction to become obsessed with the difficulties and not attempt to view the situation in wider perspective.

4.45 The dominant feature of our accession to the EEC must be seen to be the opening up of much wider markets and greater opportunities and not the increased competition in the limited home market. For many industries the additional competition from EEC countries would be unlikely to add greatly to the competition they are already committed to face in the Irish market under the Anglo-Irish Free Trade Area Agreement. Therefore, viewed from our present position, the balance of advantages in the industrial sector favours membership of the EEC and the benefits may be expected to increase as time goes on.

4.46 The Confederation of Irish Industries, indeed, has recognised (" Challenge "—February 1968) that, in certain respects,

the full implementation of the Anglo-Irish Free Trade Area Agreement without membership of the EEC would be even more severe on Irish industry than if combined with membership of the EEC. Among the reasons mentioned are

—Membership of the EEC would make it possible for industry to diversify into new markets, thereby reducing our dependence on Britain and specifically the danger of disruption of our economy from economic fluctuations in Britain.

—If Britain were a member of the EEC, many British firms would be looking towards Europe as well as towards Ireland for new markets instead of concentrating their attention here, as may happen within the next few years.

—Membership of the EEC would make Ireland increasingly attractive for new external investment in industry.

—The institutions of the EEC involve responsibility by the Community as a whole to safeguard the economic well-being of each member State, both big and small.

4.47 The structures, patterns and techniques of industrial production and trade throughout the world are at present in a period of rapid change and development. In this climate even the industrially powerful nations are changing their traditional trading policies in order to achieve their desired economic growth. In our circumstances, it is all the more important that we should adapt ourselves to this situation. The Irish home market, despite an expanding economy, is not big enough to provide adequate outlets for industrial production on the scale necessary to achieve the national objectives of a rising standard of living with full employment and reduction of emigration to an acceptable level. A satisfactory rate of progress in this direction is now almost entirely dependent on our ability to sell more and more of our production on export markets. A European Community comprising the existing member States and the applicant countries would provide a trading environment which would permit of the expansion of our exports in line with our growth objectives.

CHAPTER 5

AGRICULTURE AND FISHERIES

Common Agricultural Policy

5.1 As mentioned in the Introduction and Summary, a special study entitled *Irish Agriculture and Fisheries in the EEC* will be issued by the Minister for Agriculture and Fisheries. This will set out in detail the common agricultural policy of the European Economic Community, including the market régimes for the various agricultural commodities, and will assess the main implications of that policy applied in full to Irish agriculture in an enlarged Community. The study will also deal with the implications of membership for Irish fisheries, food prices and the country's external trade in agricultural products.

5.2 The EEC Treaty provides that the Common Market should extend to agriculture and trade in agricultural products. It defines the term "agricultural products" as meaning the products of the soil, of stock-farming and of fisheries and products of first-stage processing directly related to the foregoing.

5.3 The Treaty declared that the operation and development of the common market for agricultural products should be accompanied by the development during the transitional period, which ended on 31 December 1969, of a common agricultural policy for the Community. The Treaty laid down the objectives of that policy but left the details of it to be worked out by the Community's institutions. These objectives are:—

(a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of all factors of production, in particular labour;

(b) to ensure a fair standard of living for the agricultural community particularly by increasing the individual earnings of persons engaged in agriculture;

(c) to stabilise markets;

(d) to guarantee regular supplies;

(e) to ensure reasonable prices to consumers.

In order to achieve these objectives, the Treaty provided that a common organisation of agricultural markets should be established in the Community. It also provided for the setting up of one or more funds to finance the common agricultural policy.

5.4 During the transitional period a common organisation of the markets was established for the following products—cereals, cattle and beef, pigmeat, poultry and eggs, milk and dairy products, fruit and vegetables and sugar. Briefly, these arrangements provide for the free circulation of the commodities concerned between member States; common provisions in regard to imports from third countries; common price levels for most of the commodities in the Community's markets supported, if necessary, by intervention buying financed by the Community; common rules of competition; Community subsidies on exports to non-member countries and a common fund to finance the expenditure involved. A common organisation of the markets for a relatively small number of commodities including potatoes, flax, and mutton and lamb has yet to be introduced.

5.5 As well as common organisation of the markets, the common agricultural policy also aims at co-ordination of national policies for the improvement of agricultural structures in member States. The whole question of reforming the structure of agriculture in the Community was examined in detail in a comprehensive memorandum submitted by the Commission to the Council of Ministers in December 1968. This memorandum, which is normally referred to as the Mansholt Plan, examined the weaknesses which had become apparent in the operation of the common agricultural policy and which had resulted in serious surplus production of a number of commodities, e.g. milk, wheat

and sugar. In it the Commission made a number of recommendations aimed at improving the structure of agriculture and placing less emphasis on market and price policy. The recommendations comprised a variety of measures for (a) reducing the acreage of farmland in the Community, e.g. by afforestation, parkland etc., (b) increasing the size of holdings and agricultural enterprises, (c) facilitating the reduction of the numbers engaged in agriculture by the provision of vocational education and retraining, and (d) creating new non-agricultural employment in rural areas through regional industrial development. In addition, measures for improving the structure of agricultural marketing are suggested. The Plan has been under examination in the Community but no decisions have yet been taken on it by the Council. It is understood that the Commission is at present revising the Plan in certain respects.

5.6 In addition to the common organisation of markets and improvement of the structure of agriculture in the Community, the establishment of a common agricultural policy also necessitates the creation of common rules of competition for agriculture, e.g. as regards State aids, and harmonisation of national animal and plant health requirements which might otherwise impede the free movement of agricultural products within the Community.

5.7 So far as State aids to agriculture are concerned, the Council has not yet laid down general criteria for determining whether particular types of aid should be deemed to be compatible with the Treaty, although a proposal by the Commission has been before it for some time. However, in the case of products for which a common organisation of the markets has been adopted (see paragraph 5.4) the Treaty provisions on State aids have generally been applied. This means that the Commission is empowered in respect of these products to examine all relevant State aids and, if necessary, to demand their modification or abolition unless the Council, at the request of the member State concerned, unanimously decides otherwise.

5.8 As regards harmonisation of national veterinary policies, directives have already been adopted by the Council governing health requirements for intra-Community trade in cattle, pigs and fresh meat. These directives include standards for the pre-

paration of fresh meat for the export trade. Proposals for directives governing trade with non-member countries in live animals and meat have been under consideration in the Community for some time past. A Veterinary Committee comprising experts of member States, presided over by a representative of the Commission, has been established to deal with such veterinary matters as may be assigned to it by the Council.

5.9 In the case of plant health, some directives have been issued by the Council in relation to certain diseases and pests of potatoes and the marketing of certain agricultural seeds. Proposals have been submitted by the Commission to the Council on the harmonisation of the import requirements of member States in regard to plant pest control but no decision has been taken on these.

5.10 Finally, in order to finance the operation of the common agricultural policy, the Community set up in 1962 a special fund called the European Agricultural Guidance and Guarantee Fund (EAGGF). The purposes of the Fund are:—

(a) to support prices on the internal markets of the Community by market intervention measures;

(b) to finance exports of agricultural products to non-member countries where necessary;

(c) to contribute towards the cost of appropriate changes in the agricultural structures in member States.

The Fund is divided into (i) the Guarantee Section out of which is financed expenditure arising on market support and export subsidies, (ii) the Guidance Section which finances structural improvements in agricultural production and marketing, and (iii) the Special Sections which were set up to meet comparatively minor and *ad hoc* expenditure such as compensation payments for certain price reductions, agricultural adaptation measures in Luxembourg and food-aid projects.

Implications for Irish Agriculture

5.11 In the paragraphs that follow, the main implications which membership of an enlarged Community would have for Irish agriculture are considered under the following broad headings:

(1) principal commodities and increase in agricultural output, (2) harmonisation of animal health and plant health measures, (3) State aids, and (4) trade in agricultural products. The implications for fisheries and the effects on food prices are dealt with in paragraphs 5.21 to 5.23. As no decisions have yet been taken on the Commission's recommendations for the reform of the structure of agriculture and as it is not clear how far these may yet be modified or applied in an enlarged Community, it is not feasible at this stage to make a meaningful assessment of their implications for Ireland.

5.12 It should be noted that the assessment made is based on the full application here of the EEC régime at the final "single market stage" in each case for the main commodities and that prices have been converted at current rates of exchange. Accordingly, exceptional measures of a transitory nature, such as those taken by the Community during 1969 arising from the devaluation of the French currency and the revaluation of the German currency, have been ignored. The terms " target price " and " guide price " used in these paragraphs are practically synonymous—the former being used in the case of cereals, dairy products and sugar and the latter in the case of beef. A target or guide price is not a guaranteed price but rather the level of price which is aimed at in the internal market of the Community. In order to show the relative importance of the various commodities in the composition of Ireland's agricultural output, Table 9 in Appendix 4 sets out in respect of each commodity the value of output in 1968 and its relative contribution to gross agricultural output. Table 7 shows the degree of self-sufficiency for each of the main agricultural commodities in the present Community and in a Community of Ten.

COMMODITIES

5.13 The following is a summary of the position for the main agricultural commodities:

(i) *Cattle and Beef:* The common guide price for cattle in the Community is 287s. 10d. per live cwt. This is approximately 60 per cent above the level of Irish prices for fat cattle in 1969. Thus, even allowing for the fact that any

intervention or support measures would operate at about 7 per cent below the guide price and for the fact that transport costs to export markets would have to be covered, it is clear that cattle prices here would show a very substantial increase which should serve as a strong stimulus to increased beef production.

The long-term outlook for beef in an enlarged Community, on the basis of OECD forecasts for the period up to 1985, is one of consumption exceeding production leaving a sizeable deficit to be met by imports. On the basis of these forecasts the long-term outlook for Irish beef is good. Of course, this situation could be affected by many factors such as trends in consumers' income, beef prices and the prices of other meats, and from the production aspect the relative profitability of different commodities, structural improvements, increased productivity and technical progress.

The value of exports of cattle and beef would increase significantly. Having regard to our geographical position our main export market for cattle and beef would probably continue to be the U.K. but some increase in exports to the present member States could be expected following the termination of the customs duty and import levies. Under the EEC system, the present arrangements for the support of exports of beef to the U.K. would have to be terminated as would, of course, British deficiency payments which apply to Irish store cattle fattened in the U.K. In an enlarged Community there would be a possibility that fat cattle exports might increase at the expense of store cattle and carcase beef in view of the termination of the support payments referred to. On the other hand, the efficiency of the present beef factories should offset any such tendency and developments in regard to transport could also operate in favour of the carcase meat trade. As regards store cattle, an important factor would be the traditional and long-standing nature of the trade. It should be borne in mind that the store cattle trade developed before there was any price support for cattle in Ireland or the U.K. and that for many years it thrived and prospered in conditions of equal

competition with exports of fat cattle. Ireland should continue to be in the best position in an enlarged Community to supply store cattle to the U.K. but the raising of cattle prices here and in the U.K. to a common level could make Irish store cattle less attractive to British feeders. Also, British demand for Irish stores might be somewhat weakened by the effects on British beef farming of the U.K.'s entry into the Community. There might also be an opportunity for developing exports of store cattle to Continental countries of the Community.

As regards imports, our quantitative controls and tariffs on beef would have to be abolished *vis-à-vis* member States and replaced by the Community arrangements *vis-à-vis* non-member countries.

(ii) *Milk and Dairy Products:* The common target price for milk (delivered at dairy) with 3.5 per cent butterfat is 3s. 9d. per gallon. The average price for manufacturing milk (with an average butterfat content of 3.5 per cent) to the Irish farmer in 1968 was about 2s. 4d. per gallon (including about 3.4d. a gallon for skim milk). The target price is not, however, a guaranteed price for producers but is defined as the price which it is aimed to maintain for all milk sold by producers during the dairying year within the limits of the outlets offered on the market of the Community and external markets. The capacity of Irish creameries and manufacturers of dairy products to pay their suppliers a return equivalent to the common target price would depend on the ruling prices of the manufactured products and on the efficiency of the manufacturing industry. The common intervention prices at present operating in the Community are 734s. 6d. per cwt. for butter and 174s. 6d. per cwt. for skim milk powder but the Commission has submitted a proposal to the Council to alter these to 602s. 3d. per cwt. for butter and 214s. 6d. per cwt. for skim milk powder. Even after allowing for such factors as the point at which intervention purchases of butter and skim milk powder could take place and the fact that the EEC target price for milk is not a guaranteed price, it is clear that membership of an enlarged Community would result in a substantial increase in the price

of milk to Irish producers. (The EEC regulations on milk do not apply to liquid milk; a common régime for liquid milk has yet to be finalised.) An appreciable increase in the value of the output and exports of dairy products would also result. The application of the Community system for dairy products would mean that the present support arrangements for creamery milk would be terminated and replaced by the Community system. For example, the floor price for butter would be replaced by the Community intervention price and there would also be an intervention price for skim milk powder. In the short-term, the extent to which overall milk production would increase as a result of the higher producer price would be limited by such factors as the time taken to expand cow numbers and to raise the yield of milch cows.

It should not, however, be overlooked that the outlook for milk and dairy products in the present Community is one of continuing surplus and even in an enlarged Community the outlook, according to the OECD forecasts, would also be one of production exceeding consumption for some years to come.

The U.K. market would probably continue to be the main market for Irish dairy products. The quantitative arrangements for imports of butter and cheese into that market would, of course, have to be removed. The position in the U.K. market would be affected not only by the effects of EEC policy on British milk production but also by any special arrangements made for imports of dairy products into the U.K. from, as the U.K. has proposed, New Zealand. In a White Paper issued in 1967 the British Government stated that the application of the EEC system to the U.K. could be expected to reduce production.

Our import restrictions and duties would have to be abolished *vis-à-vis* other member States and replaced by the Community system so far as third countries are concerned. Irish creameries and manufacturers should, however, be able to meet any competition in the home market from imports.

(iii) *Sheep and Lambs:* A common organisation of the market has not as yet been introduced in the Community for sheep and lambs. Production and consumption in the Community are at present relatively small. Given the equal terms of competition with Continental and British producers which would result from accession, Irish producers should fare quite well and the higher prices should stimulate increased production. The bulk of our export trade would probably be with the U.K. but there should be scope for developing trade with some Continental member States.

(iv) *Cereals:* The common target prices for wheat and barley in the EEC are £45 and £40 8s. per ton, respectively, and the common intervention prices are £41 16s. and £37 8s. per ton, respectively. It is estimated that allowing for costs of transport etc. the intervention prices which would be applicable to Ireland under the present Community arrangements might be about £39 per ton for wheat and £34 10s. per ton for barley. The comparable guaranteed prices here at present for grain of equivalent standard are £39 2s. per ton for wheat and £28 8s. per ton for barley. Thus, the application here of the EEC régime and prices would involve little change, or possibly a slight reduction, in the price of wheat and an increase of about 20 per cent in the barley price. (The foregoing price comparisons have been based on the assumption that in an enlarged Community the derived intervention prices for various regions would continue to be related to the common target price fixed for Duisburg as at present.) While there is no intervention price for oats in the EEC system, it is likely that, having regard to the level of the minimum import price for oats on which the levy is calculated and the level of the intervention price fixed for barley, the price to producers here for oats would also increase. It could, therefore, be expected that there would be some swing from wheat to coarse grains, especially feeding barley, but because of increased costs of inputs to the tillage farmer (e.g. if subsidies on fertilisers had to be terminated) and the relative increased attraction of the production of livestock and livestock products, the overall acreage under cereals might not be significantly affected. While Irish flour

millers would be free to import their requirements of wheat either from other member States or from third countries subject to compliance with the regulations, wheat imported from outside the Community would be dearer than native wheat and the cost of imports from other parts of the Community would be up to the level of the Irish price. Irish flour millers could accordingly be expected to use as much native wheat as possible assuming that the quality met requirements.

The existing production quota system for Irish flour mills would have to be abolished as well as the requirement that a prescribed percentage of the quotas must be native wheat. With the freeing of imports from member States Irish flour mills could expect to meet some competition, especially from mills in Northern Ireland and Britain.

The prices of animal feedingstuffs would rise because of the higher grain prices on the domestic market and the increased cost of imported grain whether imported from other member States or from third countries. The existing quantitative import controls on animal feedingstuffs would have to be removed but the retention of some controls on animal health grounds might be necessary. As regards cereal seeds, the standards of our Seed Certification Scheme are higher in many respects than the EEC standards.

(v) *Pigs:* There is no common target or guide price for pigs in the EEC. Protection for the domestic producer is achieved by measures at the frontier, i.e. import levies and minimum import prices to restrict imports from third countries. There is, however, a basic price for pigmeat, which is used as a " trigger " point for determining intervention in the market. When the market price throughout the Community falls below this basic price and is likely to remain so for some time, intervention measures are applied and the prices at which intervention purchases are made cannot be below 85 per cent of the basic price. The current basic price in the Community is 317s. 6d. per cwt. deadweight and 85 per cent of this is about 270s. per cwt. However, this would be only the floor price represented by intervention purchases and market prices could be

expected to be closer to the basic price. The average price paid at markets here for bacon pigs in 1969 was about 276s. per cwt. deadweight and so some increase in the producer price for pigs would be likely to result from membership of the Community. Feed costs would, however, be higher here than at present and there could be some reduction in the rate of profit per pig here, but this could be offset by more efficient production.

Ireland's pattern of exports would be unlikely to show any significant change, the bulk of the trade continuing to be with the U.K. where the existing quantitative import arrangement for bacon would have to be removed. Our existing restrictions would have to be abolished *vis-à-vis* other member States and replaced by the Community levy system so far as non-member countries would be concerned.

(vi) *Poultry and Eggs:* There are no target prices for poultry and eggs under the EEC system. Protection is provided against imports from outside the Community but within the Community there is free competition. In the light of the prices obtaining in the Community at present, there would seem to be little prospect of higher prices for poultry and eggs here on accession to the EEC. As in the case of pigs, feed costs here would increase with the higher grain prices. Accordingly, efficiency of production, processing and marketing would be vital and development of the industry on the basis of larger production units would help to meet competition from such units elsewhere in the Community. Irish production would probably continue to be mainly for the home market and exports might not be very significant.

(vii) *Sugar-beet:* The minimum grower's price for sugar-beet in the EEC for the year 1969-70 is 143s. 10d. per ton. This price applies only to a basic production quota in each member State, relates to sugar-beet of 16 per cent sugar content delivered at a collection centre and, in general, is based on the assumption that all pulp is returned to growers free of charge. The comparable Irish price for 1970-71 for sugar-beet of 16 per cent sugar content is about 159s. per

ton plus 13s. per ton freight subsidy. The Irish grower can, however, buy dry pulp from Cómhlucht Siúicre Éireann at a specially reduced price. It has been estimated that the EEC grower is about 10s. per ton of beet better off than his Irish counterpart so far as pulp is concerned. Allowing for this and ignoring the freight allowances, the Irish price for sugar-beet is slightly above the EEC price. On the other hand, due mainly to lower refining costs, the current Irish ex-factory price for sugar is considerably below the EEC target price. Raising the ex-factory price to the level of the EEC target price should help towards maintaining the present beet price after Ireland's accession to the Community. As regards beet and sugar production after Ireland's entry into the Community, the position would be affected by numerous factors such as the level of any production quotas that might be fixed,* the level of the common prices, any special concessions for Commonwealth supplies, as proposed by the U.K., and the relative profitability of other lines of production for farmers here. It would be hoped that any quota fixed for Ireland would enable Cómhlucht Siúicre Éireann to produce sufficient sugar to meet the full requirements of the home and export trades. There should be scope for increased exports of refined sugar to Northern Ireland and the adoption of the EEC sugar régime should not adversely affect our export trade in goods containing sugar.

(viii) *Potatoes:* A common organisation of the market has not yet been introduced in the EEC and pending information on the type of arrangements that might be adopted it is difficult to forecast what the effect of membership would be on commercial potato production here. Having regard to prices prevailing in the EEC and the levels of production there, it is not expected that production of potatoes here would be affected to any great extent although the removal, on accession to the Community, of the British import restrictions might provide an outlet for some main-crop ware potatoes at certain times of the year. Irish seed-potato exports are already graded to higher standards than those in force in the EEC.

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*The production quotas fixed under the current Community arrangements cover the period up to 1975.

(ix) *Horticulture:* This sector of our agricultural industry would be likely to encounter some difficulty under EEC conditions. At present it is well protected both by import duties and quantitative restrictions and with the removal of these restrictions against other member States there would be keener competition from Continental producers who have climatic and other advantages. This would apply in the case of apples, soft fruit pulp and onions. Producers here might have to accept lower prices for some fruit and vegetables and the level of production could decline unless the highest levels of efficiency were attained. This would be likely to apply in particular to the higher-priced items but not to the cheaper and more bulky items.

5.14 In brief, therefore, the position is that for cattle, sheep and lambs and milk, which account for 63 per cent of agricultural output, the outlook is favourable. For other livestock products, mainly pigmeat, poultry and eggs, which account for 16 per cent of output, costs of production are likely to increase with a consequential decrease in profitability per unit of production but this could partly be offset by more efficient production, particularly in larger units. As regards tillage, which accounts for about 15 per cent of output, barley production could be expected to increase at the expense of other cereal crops; sugar-beet production should be maintained or possibly increased somewhat while potato production should show little change. The most sensitive sector and the one most likely to meet severe competition is horticulture, which accounts for 3 per cent of output.

5.15 As there are so many variable factors involved, it is difficult to assess precisely the extent to which Irish agricultural production would increase on the basis of the full application here of the EEC agricultural régime. It has, however, been tentatively estimated that, assuming Ireland acceded to an enlarged Community at the beginning of 1973, the volume of gross agricultural output might be expected to show an increase by the latter years of the decade of the order of 30-40 per cent over the present level. Because of the change to higher producer price levels, the increase in the value of gross agricultural output would, of course, be considerably higher.

ANIMAL AND PLANT HEALTH

5.16 So far as the animal health directives already adopted by the Community are concerned, no serious difficulties are foreseen in complying with the standards prescribed in the directive governing trade in fresh meat. Many of the factories in the export trade have been modernised in recent years and most of them are well up to the EEC standards. They are also capable of handling an increased throughput. A small number of factories not up to the EEC standards would need to be improved. In the case of the directive on trade in live animals, however, certain matters arise which would require further consideration in view of Ireland's disease-free status and the nature of this country's trade in livestock with the U.K., some of which is a cross-border trade with Northern Ireland. Some special derogations might be needed if the present directive were applied without modification to an enlarged Community. The making of special arrangements to protect Ireland's position should not create serious problems since the main objective of a common animal health policy for the Community is to protect and improve animal health in the member States.

5.17 As regards plant health, such measures as have been adopted to date by the Community would not create any problem for Ireland but, as in the case of animal health, it is likely that in connection with the general harmonisation of plant health measures in an enlarged Community particular issues would arise for Ireland which would have to be specially examined so as to ensure that Ireland's freedom from certain major plant diseases and pests was not endangered.

STATE AIDS

5.18 Pending the adoption of criteria by the Council of Ministers for the determination of the types of aid to agriculture that may be deemed compatible with the Treaty, it is difficult to assess precisely the effects of membership so far as current State expenditure in relation to agriculture here is concerned. However, some modifications would obviously be necessary, such as the elimination of price supports and export subsidies and their replacement by the Community system of market organisation for the products concerned. Other aids would fall to be examined

by the Commission. On the basis of expenditure in 1969-70 the saving in respect of agricultural price supports and export subsidies which would no longer have to be met by the Irish Exchequer would be £36 million. If certain other State aids were not allowed, the total saving could be of the order of £46 million. In addition, projects of a structural nature qualifying for aid would benefit from assistance from the Guidance Section of the EAGGF.

AGRICULTURAL TRADE

5.19 At present almost one-half of all the output coming off Irish farms is exported, of which livestock and livestock products account for over 90 per cent. The main effect of membership for Ireland's agricultural exports would be improved access to a large market at remunerative prices, thus enabling Irish products to compete on equal terms with similar products produced in other member States. This would mean a considerably higher return for our main exports, viz. cattle and beef, dairy products, lamb and pigmeat. Exports to non-member countries would qualify for aid from the European Agricultural Guidance and Guarantee Fund. Because of our geographical situation the bulk of the export trade would probably continue to be with the U.K., where existing import arrangements for dairy products, bacon, sugar and ware potatoes would have to be terminated; exporters of agricultural products would, however, have to meet increased competition in the British market. Exports of cattle and beef, lamb and possibly pigmeat to Continental countries of the Community would probably increase but the prospects of developing exports of dairy products or of sugar to those countries would seem limited until the current surplus problems there are solved.

5.20 So far as imports are concerned, existing quantitative restrictions and other protective measures would have to be removed *vis-à-vis* other member States and in the case of third countries these restrictions and duties would have to be replaced by levies and/or the common customs tariff. Irish producers would encounter more competition in the home market from products from other member States. The cost of imports of a number of commodities, e.g. cereals and animal feedingstuffs, would rise irrespective of whether these were purchased from

within the Community or from third countries. There would probably be a change in the pattern of imports inasmuch as imports from member countries which would have a Community preference would tend to replace those from third countries.

Fisheries

5.21 A common policy for fisheries has not yet been adopted in the Community. In 1968 the Commission submitted proposals to the Council for a common fisheries policy. These proposals cover structural policy and the common organisation of the markets, and are largely based on the common agricultural arrangements.

5.22 Membership of an enlarged Community should be advantageous for the fishery industry inasmuch as trade with the EEC, which is Ireland's biggest customer for fish, would be on more favourable terms and should be capable of considerable expansion if production could be increased. Freshwater fish (salmon, trout and eels), shellfish (lobster, crawfish, etc.) and pelagic fish (herring, mackerel, etc.) which are at present largely exported would benefit from the abolition of EEC import duties and quantitative restrictions. On the other hand, Ireland would lose the preference at present enjoyed on the British market, but the advantages of improved access to the EEC market should more than offset this. In addition, some difficulties could arise from any decision which might be adopted by the Community, within the framework of the proposed common policy for fisheries, in regard to access to fishing grounds within the exclusive fishery limits of the member States. The elimination of quantitative restrictions on imports could lead to greater imports of demersal fish (whiting, cod, plaice, etc.) and possibly to a slight reduction in the prices of the varieties most sought after by Irish consumers. On balance, however, the prospects for Irish fisheries in an enlarged Community are favourable.

Effect on Food Prices

5.23 Higher producer prices for agricultural products would mean an increase in the cost of food to the consumer which, in turn, would be reflected in an increase in the cost of living. It is not possible, at this stage, to calculate accurately the effect of the adoption of the Community's common agri-

cultural policy on the cost of living. The levels of EEC and world food prices at the time of Ireland's accession to the Community would be important factors and these cannot be predicted at this stage. In addition, changes in the pattern of consumption which might be induced by the new conditions obtaining would affect the outcome. Notwithstanding these difficulties, it is tentatively estimated, on the basis of the main price differentials for which data are available, that the full application of current EEC agricultural prices here would involve an increase of the order of 11-16 per cent on the present level of the retail price index for food. Allowing for some change in the pattern of food consumption, induced by the new conditions obtaining, the consequential change in the overall consumer price index might be of the order of 3-4½ per cent. The increase would, of course, be spread over a number of years depending on the length of the transitional period.

CHAPTER 6

FREE MOVEMENT OF PERSONS, SERVICES AND CAPITAL

Free Movement of Workers

6.1 The EEC Treaty provides for the right of freedom of movement for workers within the Community. This right entails the abolition of any discrimination based on nationality between workers of the member States as regards employment, remuneration and other labour conditions. The Treaty requirements were to be fulfilled by the end of the transitional period, i.e. by the end of 1969, but they were, in effect, complied with by October 1968. The main obligations on the member States are:

(a) Any national of a member State must be granted the right to take up a wage-earning position in another member State and must be given equality of rights as regards employment and access to available posts. There must be no restrictions on the exchange of offers of, and applications for, employment or on the conclusion of contracts between employers and nationals of the member States.

(b) In the legal or other procedures in a member State, all discrimination must be abolished against nationals of another member State in regard to their seeking or being offered employment in that State. Where procedures exist for limiting the employment of foreigners, the nationals of other member States must be exempted. In addition, the Employment Exchanges must offer the same assistance to nationals of another member State as they do to their own nationals.

(c) Workers from another member State must be given equal treatment as regards conditions of work, including pay and dismissal. They must enjoy the same social and tax advantages as national workers and

must be permitted to benefit on the same conditions from instruction in vocational training centres. They must also be given the same trade union rights as nationals and must be allowed to participate in bodies representing workers.

(d) Provided only that accommodation is available, wives, children and dependent relatives must be allowed to accompany workers employed in another member State and must be given the same rights to take up employment there. These workers must be given equal treatment in regard to access to housing, including ownership. In addition, their children must be able to benefit on equal terms from the State's general education and vocational training courses.

6.2 The Treaty requirements are subject to limitations justified on the grounds of public policy (*ordre public*), public security and public health and do not apply to employment in the public service.

6.3 Machinery has been established for the dissemination of information to facilitate the filling of vacancies within the Community and also of information to discourage labour movements where disequilibria occur in the labour market which would involve serious risk for living standards or employment in a particular area or occupation. When any such disequilibrium occurs, the member State concerned may request that the vacancy clearance machinery should be partly or wholly suspended in respect of that area or occupation. The Commission has the power, subject to the overriding authority of the Council, to decide on the request.

6.4 The Treaty also requires the introduction of measures to ensure that workers who move from one member State to another come under social security cover in the same way as nationals of the host State, that periods of cover in different member States are aggregated so as to give title to benefits and that these may be received anywhere within the Community.

6.5 At present, persons born in Northern Ireland or Great Britain are free to take up work in the State without formality

and in this regard no changes would be required on our accession to the Community. Irish employers proposing to employ workers from the present member States and from the other applicant countries, Norway and Denmark, must at present obtain employment permits in respect of those workers before they can enter employment in this country. Membership of the Community would involve the removal of this requirement.

6.6 As the migration of workers for employment depends upon individual decisions, it is not possible to make realistic forecasts of its volume as affecting this country. Nevertheless, it is expected that the provisions of the Treaty of Rome on the free movement of workers would not have a notable impact on the labour market in Ireland. Within the present Community, the only significant movement of labour has been into areas having exceptionally attractive employment opportunities, which suggests that the main attraction for Continental workers would remain centred in such areas.

6.7 While it is expected that the overall inflow of Continental workers to this country would be relatively small, some indication of the nature of the possible inflow may be obtained from the permits issued for the employment of foreign workers here. These fall into two main categories. The first category covers specialists employed by firms concerned with the erection of plant or new buildings or the establishment of new industries here. Most of the firms concerned also employ substantial numbers of Irish workers. This temporary type of movement is usually associated with the creation of new job opportunities in Ireland. The second category relates to employment in hotels, catering, hairdressing and entertainment. This is a two-way traffic and if Irish skills are to keep pace with Continental skills then training abroad for Irish workers will continue to be required. In general such movements are of a fairly temporary character.

6.8 Under the provisions on the free movement of workers, Irish workers would be permitted to take up employment in any country of the enlarged Community. The number emigrating would depend primarily on the employment opportunities available at home. In view of the traditional patterns of emigration and of the absence of language difficulties, it is considered that

Britain would remain the main attraction for Irish workers prepared to emigrate and that the movement to the Continent would not be significant.

6.9 The existing member States progressed towards the free movement of workers over a period. The transitional arrangements to be applied by acceding countries will be a matter for negotiation.

6.10 Fulfilment of the obligations in respect of social security for migrant workers should not present any special difficulty.

Right of Establishment and Supply of Services

6.11 The provisions of the EEC Treaty with regard to the right of establishment and the supply of services are summarised in the White Paper of April 1967 (paragraphs 342-358) as is, also, the implementation of those provisions up to that time. Briefly, the Treaty provided that nationals of or firms in any of the member States would, over the course of the transitional period, be given the right to set up in business, or supply services, in another member State under the same conditions as are applied to nationals or firms in that State. In 1961, the Community adopted two General Programmes, one in respect of establishment and one in respect of services, setting out timetables for liberalisation in respect of the various branches of economic activity.

6.12 Although a number of sectors have been liberalised since April 1967, liberalisation has not kept pace with the Programmes and, notwithstanding that the end of the transitional period has passed, certain sectors have not yet been liberalised.

6.13 From an Irish point of view the most important sectors liberalised so far are (i) industry generally, exceptions being shipbuilding and the manufacture of aircraft, railway equipment, pharmaceutical products and tobacco, (ii) retail and wholesale trade generally, (iii) mining, (iv) reinsurance, (v) real estate dealings and business services, (vi) catering (restaurants, public houses and hotels), and (vii) sylviculture and forestry.

6.14 Amongst the sectors yet to be liberalised are agriculture (apart from the degree of liberalisation already achieved—see paragraph 6.17 below), the various liberal professions, the manufacture, wholesale and retail of pharmaceutical products, the tobacco industry, insurance other than reinsurance, banks and other financial institutions and the press. Measures designed to liberalise these sectors are at various stages of consideration within the Community. Also under consideration are measures to enable nationals or firms in a member State to compete for public works contracts in another member State.

6.15 One of the main difficulties with regard to the liberal professions arises from the question of mutual recognition of qualifications for the professions. The Commission has sent proposals to the Council concerning the achievement of the right of establishment and the freedom to supply services in respect of doctors, dentists, nurses, midwives, opticians, pharmacists, architects, engineers and lawyers* and these proposals have been accompanied by proposals for the mutual recognition of qualifications.

6.16 The principal implications for Ireland in regard to the implementation of the Treaty provisions on the right of establishment and the supply of services arise in respect of the purchase of land, insurance, banking and the purchase and importation of tea.

6.17 As regards land purchase, the EEC Treaty envisages that nationals of one member State should be enabled to acquire and use land and buildings situated in another member State to such an extent as does not conflict with the following principles which are required to be taken into account in working out the common agricultural policy—

(a) the particular nature of agricultural activity which results from agriculture's social structure and from structural and natural disparities between the various agricultural regions;

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*In the case of lawyers the proposal relates only to the supply of services.

(b) the need to effect the appropriate adjustments by degrees; and

(c) the fact that agriculture constitutes a sector closely linked with the economy as a whole.

So far, progress towards achieving the right of establishment in farming has been confined to (i) the right to acquire farms which have been abandoned or left uncultivated for more than two years and (ii) the right of member State nationals who have worked as paid agricultural workers in another member State for an unbroken period of at least two years to acquire farms in that State. In January 1969, however, the Commission forwarded to the Council a draft directive which would, in effect, grant full right of establishment in farming to Community nationals. It is as yet too early to say whether this proposal will be adopted in its present form.

6.18 Under Irish legislation (Land Act 1965) all non-nationals who have lived in Ireland for less than seven years require the consent of the Land Commission to acquire rural land other than land required for industrial purposes or holdings of up to five acres for residential purposes. In view of the need to improve the structure of Irish agriculture in certain areas, the Government will endeavour to ensure the retention of sufficient control over the disposal of land to enable policies adequate to Irish needs to be applied.

6.19 Progress towards liberalisation in the insurance sector in the Community has so far been confined to the right to set up in reinsurance or to supply a reinsurance service. It is, however, envisaged that greater freedom in the insurance sector will eventually be realised. Certain aspects of Irish legislation affecting insurance are protective in their nature and would have to be reviewed to bring them into line with whatever arrangements are adopted in the Community. This would involve greater competition for Irish insurance companies.

6.20 The Council has had before it, since 1965, a draft directive on liberalisation in respect of banking and other financial institutions. Our present legislation on banking is not contrary to the terms of the draft directive. However, under the Central

Bank Bill 1969 it is proposed to provide certain powers with regard to the licensing and supervision of banks. The draft directive, if adopted in its present form, would be relevant in connection with the criteria to be applied to the licensing and supervision of banks, in particular any criteria involving conditions as to nationality.

6.21 Existing Irish legislation concerning the purchase and importation of tea, the main purpose of which is to ensure that Ireland's tea requirements are imported direct from the country of origin, provides that tea may be imported only by Tea Importers (1958) Limited in which shares can be held only by Irish citizens or by Irish companies. This legislation might have to be amended.

Free movement of capital

6.22 The Treaty provides that, during the transitional period and to the extent necessary to ensure the proper functioning of the Common Market, member States shall progressively abolish between themselves restrictions on the movement of capital belonging to persons resident in member States and any discrimination based on the nationality or the place of residence of the parties or on the place where such capital is invested. The Council is required to issue directives for the implementation of this provision on proposals from the Commission.

6.23 Two directives have been issued. They are based on the OECD Code of Liberalisation of Capital Movements which has been accepted by all the OECD countries, including the EEC member States, the United Kingdom and Ireland, subject to individual reservations on particular items of the Code. The directives have the effect (a) of consolidating as between the EEC member States the obligations they had undertaken under the OECD Code, (b) of lifting in so far as they apply to other EEC countries the reservations which individual EEC countries had entered to the Code, and (c) of providing for the liberalisation, as between EEC countries, of certain types of transactions not included in the Code.

6.24 There are no exchange control restrictions on transfers of capital between the United Kingdom and Ireland. Britain,

however, applies a system under which potential British investors operate a voluntary restraint on direct investments in the developed countries of the Sterling Area including Ireland. Capital transfers to the EEC countries and to other countries outside the Sterling Area are subject to control both in the United Kingdom and Ireland but the transactions included in the OECD Code of Liberalisation of Capital Movements are approved automatically, subject to the reservations entered by the two countries to the Code. (For the most part the Irish reservations are the same as the British.)

6.25 The British authorities regard their exchange control on capital movements as an important element in the machinery for safeguarding the British economy and maintaining the strength of sterling. In Ireland's case the control is not so much aimed at safeguarding the Irish economy but rather at fulfilling her obligations as a member of the Sterling Area and at ensuring that British restrictions on capital dealings with the non-sterling world are not circumvented by transactions channelled through Ireland.

6.26 The application of the EEC directives to the United Kingdom and Ireland would have the effect of requiring both countries to liberalise *vis-à-vis* the members of the enlarged EEC a number of capital transactions at present subject to restriction. The more important are:—

(1) *Direct Investments:* At present, subject to certain exceptions, new direct investments in EEC countries by British or Irish firms can only be made with "investment currency"*, which is limited in supply and which commands a premium above the normal exchange rate. Under the relevant directive, transfers for direct investment must be allowed at the normal exchange rate. (Direct investment can be broadly defined as investment in an undertaking in the running of which the investor plays a direct part.)

(2) *Purchase of property for private use:* At present, residents of the United Kingdom or Ireland who wish to acquire property in EEC countries for private use must

*See footnote on page 56.

use "property currency"*. The supply of "property currency" is also limited and it commands a substantial premium over the normal exchange rate. Under the EEC arrangements such transfers would have to be permitted at the normal exchange rate.

(3) *Purchase of securities quoted on a stock exchange:* Member States are required to give general authorisation for these transactions and, if the transfers are effected on a market in which the fluctuations in the exchange rate are not officially limited, they must endeavour to ensure that the transfers are made at rates which do not vary widely and for long periods from those applied to current transactions. Residents of the United Kingdom or Ireland may not, subject to certain exceptions, purchase securities quoted on a stock exchange, (i.e. make portfolio investments), in an EEC country unless the purchase is made with "investment currency" which, as indicated at (1) above, commands a substantial premium rate. The rate for currency required for portfolio investment in EEC countries would, therefore, have to be brought more closely into line with the normal rate of exchange.

6.27 It is considered that implementation of the two directives would not be likely to have any important implications for Ireland. There might be some increased investment in EEC countries on the part of Irish investors but this would possibly represent a diversion of investment which would otherwise be made in the United Kingdom. On the other hand the inflow of capital into Ireland should increase both from the Community and from other sources, since membership of the enlarged Common Market should stimulate increased external investment in export-oriented industry here.

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*"Investment currency" and "property currency" are derived, respectively, from the sale of non-sterling securities and non-sterling private property by existing holders who are resident in the Sterling Area. As the demand for these currencies exceeds the supply and as the market is not supported by the monetary authorities, transactions normally take place at rates substantially above the official rate of exchange.

CHAPTER 7

TRANSPORT POLICY

7.1 The EEC Treaty envisages the establishment of a common transport policy and to this end requires the Council to lay down common rules for international transport between the member States and to prescribe the conditions under which carriers of one member State may provide transport services in other member States. The Treaty also contains provisions prohibiting freight rates or conditions which discriminate on the basis of country of origin or destination of goods or which involve any element of support or protection for particular undertakings or industries. Supports which are applied in the interests of regional policy may however be authorised by the Commission.

7.2 State aids to transport are compatible with the Treaty provided they are required to meet the needs of transport co-ordination or are in reimbursement of an obligation in the nature of a public service discharged by a transport company.

7.3 The provisions of the Treaty apply to transport by rail, road and inland waterway. The Council is empowered to decide whether appropriate provisions should be adopted for sea and air transport. So far it has not exercised this power. The Commission, in its Opinions of 1967 and 1969 on the applications for membership, suggested that the question of bringing international sea and air transport within the scope of the projected transport policy should be examined during the accession negotiations.

7.4 Progress towards the establishment of a common transport policy has been slow. A certain number of implementing provisions has however been agreed on. Of these, the most interesting, from an Irish point of view, are:

(a) the establishment of a Community quota for road haulage vehicles under which licences are issued to

road hauliers authorising the licensees to engage in the international transport of goods throughout the member States. The grant of a licence would not, however, authorise the licensee to engage in point-to-point haulage within another member State. At present the scheme provides for the issue of licences in respect of 1,200 vehicles allocated as follows: France and Germany, 286 each; Netherlands, 240; Italy, 194; Belgium, 161; and Luxembourg, 33.

(b) the introduction of a bracket rate system whereby charges by hauliers for road transport between member States must be fixed within limits agreed between the member States directly concerned. The width of the bracket is fixed at 23 per cent of the upper limit of the rate and contracts at rates outside the limits of the bracket are not allowed except in special cases.

(c) the issue of a Community regulation relating to the harmonisation of working conditions in road transport and specifying the minimum age for drivers, the composition of crews for long and heavy vehicles, driving times and rest periods.

Proposals which are still the subject of consideration in the Community include such matters as the problem of State aids to transport, and the harmonisation of the taxation of road transport vehicles.

7.5 A number of reduced transport rates in favour of regional development have been authorised e.g. reduced rates applied by the Italian Railways for the benefit of Southern Italy.

7.6 Ireland as a member of the Community would have to take action to comply with the specific Treaty provisions with regard to transport and also with the various provisions adopted in implementing the common transport policy.

7.7 The provisions on State aids to transport undertakings have important implications for this country. Córas Iompair Éireann are in receipt of an annual subvention, the main purpose of which is to enable the Board to maintain the railway system at a level appropriate to the country's needs. Most other national

railway undertakings in Europe are in receipt of similar assistance. The EEC Treaty recognises the need for subsidies for transport related to public service obligations and the main objective of the measures so far adopted in the Community in this matter is to ensure that a uniform pattern of subsidies is applied in all member countries. The effect on CIE's position will not be fully apparent until the concepts of public service obligations and of the aids which may be granted in reimbursement of such obligations have been more fully developed.

7.8 In order to comply with the Community quota arrangements, Ireland would have to modify the existing restrictions on entry to the State of externally owned goods vehicles. This would involve increased competition for Irish hauliers who would, however, have the right to engage in haulage to and from other member countries and in the Community generally within the limit of the quota allocated to Ireland.

7.9 Prior to the introduction of car-ferry shipping services between Ireland and Britain and Ireland and the Continent in recent years, the Community quota for road haulage vehicles would have had little significance for Ireland. Since the commencement of these services, however, considerable interest has been shown by British and Continental hauliers in the transport of goods to and from this country in road vehicles operating through the ferry services. Irish participation in this traffic has so far been insignificant and it is expected that it will take some time for Irish hauliers to build up the necessary organisation and business connections essential to economic operation in this field.

7.10 The bracket rate system referred to at (b) of paragraph 7.4 could have implications for transport undertakings in this country, particularly for CIE. Special rates quoted by CIE for package deals involving transport outside the country would have to comply with the provisions of the regulation on this subject.

7.11 In regard to the harmonisation of working conditions, the domestic law in this country on driving times and rest periods in road transport is at present less stringent than the EEC requirements and would have to be amended.

7.12 At this stage in the formulation of the other provisions for the establishment of the common transport policy, it is difficult to make a detailed assessment of their implications for transport undertakings in this country. The entry of Ireland, Britain, Denmark and Norway would bring to the forefront the question of sea and air transport for which no provision has so far been made. Taking account of the fact that membership would give Ireland a voice in the further development of the common policy for inland transport as well as in decisions on proposals for sea and air transport, there is no reason to believe that the transport requirements of the Communities would raise any insurmountable problems for this country.

CHAPTER 8

TAX PROVISIONS

8.1 The provisions in the Treaty of Rome which deal expressly with fiscal matters relate to :—

(a) the elimination of customs revenue duties in line with the removal of protective tariffs. These duties may be converted into internal charges e.g. excise duties charged on both home-produced and imported goods (Article 17);

(b) the prohibition of discrimination as between imported and domestic products in the application of internal charges (Article 95);

(c) the requirement that where refunds of internal charges are allowed on goods exported, the refunds may not exceed the charges imposed (Article 96);

(d) the prohibition of exemptions or repayments of direct taxes in respect of exports to other member States, except where approved by the Council for a limited period (Article 98);

(e) the harmonisation of indirect taxes (Article 99).

8.2 Compliance with the provisions at (a), (b) and (c) of paragraph 8.1 would not have any serious fiscal implications for Ireland. These provisions are aimed at the elimination of any element of protection or subsidisation for home-produced goods in revenue charges and their implications for Irish industry are part of the overall implications of the removal of industrial protection (see Chapter 4).

8.3 Our system of tax reliefs on export profits (including the Shannon reliefs) would come up for consideration in connection with the prohibition at (d) of paragraph 8.1 above. These reliefs, which came into operation in 1957-8 and are in force until 1990, have had a significant effect in accelerating industrial

development in Ireland. The Government would hope that it would be possible to secure the Council's agreement to the retention of these measures.

Indirect taxes

8.4 As regards the harmonisation of indirect taxes, a decision has been taken by the Council requiring the member States to introduce a uniform type of general sales tax known as the added-value tax.* The added-value tax is to be applied at all stages, including the retail stage, to the production and distribution of goods, to services affecting the production and distribution of goods (e.g. advertising, storage and transport), to building and services connected with building, and to imports. For the time being, however, member States have the option, subject to consultation with the Commission, to apply the tax down to and including the wholesale stage only and to impose, where appropriate, an independent turnover tax either at the wholesale or retail stage.

8.5 Transactions concerned with agricultural products are included in those covered by the tax, and the Commission has issued a draft directive setting out the terms and conditions for the application of the tax to agriculture. A final decision to accept the methods proposed in the draft directive of applying the tax to those transactions has not yet been made, and, in the meantime, each member State is free, subject to consultation with the Commission, to apply to farmers who would encounter difficulties by the application of the normal system of added-value tax such particular arrangements as may be suited to its own circumstances. In practice, the countries which have introduced the tax have incorporated the proposed recommendations of the draft directive in their tax systems.

8.6 Member States are still free to fix the rates of added-value tax and the exemptions, subject to consultation with the Commission in the case of the latter. It is, however, the aim ulti-

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*A White Paper entitled "Added-Value Tax" issued in June 1968 describes the added-value tax system in more detail and discusses whether, apart from any question of membership of the EEC, the system possesses intrinsic merits which might justify its introduction in Ireland.

mately to harmonise both the tax rates and the exemptions and this would enable charges on imports and repayments on exports to be dispensed with in respect of trade between the member States. The Council has asked the Commission to submit to it as soon as possible proposals for harmonisation and has acknowledged the need both to include retail trade in the tax and to apply only a very small number of rates.

8.7 The main difference between the added-value tax and the sales taxes operating in Ireland is that while, in general, our wholesale and turnover taxes are levied mainly at the wholesale stage and at the point of final sale, respectively, the added-value tax is chargeable on the entire turnover at each link in the chain of production and distribution and credit is given for the tax borne at previous stages.

8.8 Since the added-value tax would apply to agricultural and industrial goods at all stages of production and distribution and to services having a bearing on the cost of goods, its introduction would involve in liability certain classes of persons who are not within the scope of the existing turnover and wholesale taxes. These are mainly farmers, builders, persons transporting goods, and those, such as engineers and architects, who provide professional services affecting the cost of goods. If, however, an added-value tax system in this country were to follow the lines adopted in relation to agriculture in, for example, Germany or the Netherlands, only a small number of farmers would come directly within the charge to that tax.

8.9 Under the provisions of the draft directive on agriculture, farmers would have the option of coming fully within the added-value tax system in the same way as traders generally or of adopting a special arrangement under which they would pay no tax direct to the State—their liability being assumed to be balanced by the tax element in the cost of their purchases. The farmer who was fully within the system would be liable to pay tax on his sales and could take credit against his liability for the tax element in his purchases. All farmers would be entitled to pass on a tax credit to accountable persons to whom they had sold their produce and the price paid might be expected to take account of such credit. In the case of farmers coming within the special arrangement, however, the credit

would not be at the full rate of tax but at a flat rate designed to compensate for the tax suffered on purchases.

8.10 It is also likely that in due course Ireland would have to harmonise her *excise duties* with those of the other member States of the enlarged Community. A Commission programme of fiscal harmonisation, drawn up in 1967, envisages the abolition of excise duties on goods other than tobacco, beer, spirits, wines, petroleum products and sugar and the harmonisation of the structures and rates of the duties retained. So far, the only decision taken by the Council relates to the harmonisation of the structure—but not of the rates—of the duty on tobacco products.

8.11 The introduction of a harmonised rate of added-value tax and of harmonised rates for the principal excise duties could have significant fiscal implications for Ireland, depending on the rates applied in each case. The equivalent of the yield from our present wholesale and turnover taxes could be secured by an added-value tax of the order of 5 per cent, but a harmonised rate substantially higher than this might possibly be decided upon. On the other hand, it is possible that if harmonised rates for excise duties were introduced, they might in some instances be fixed at lower levels than those obtaining here. What the overall *net* effect of these changes might be is impossible to estimate at this stage. It may, however, be assumed that where harmonised rates are agreed on, they would be introduced gradually and accordingly the effect of harmonisation would be spread over a period of years.

Direct taxes

8.12 The Treaty does not provide specifically for the harmonisation of direct taxes. However, the general provisions in the Treaty dealing with the approximation of laws which directly affect the operation of the Common Market can be availed of to deal with any measures considered necessary in this field.

8.13 The Community has not yet adopted any such measures. The Commission considers, however, that the introduction of some measures would be desirable in the light of the gradual liberalisation of capital movements, the development of competition in investment and the need to encourage changes in the

structure of industrial enterprises including tax arrangements to facilitate companies in different member States combining across frontiers. With these ends in view, the Commission has put forward draft proposals on the tax treatment of mergers and of companies in one member State with permanent establishments (branches) or subsidiaries in other member States. The Commission has also proposed the abolition of deduction of tax at source on debenture and bond interest.

8.14 It is considered that the adoption by this country of the measures proposed by the Commission would not be likely to involve any significant change in the yield of revenue.

8.15 As a measure designed to promote the free movement of capital the Community has adopted a directive providing for the abolition of *stamp duties* on the creation or issue of negotiable securities. Member States are also required to levy a duty of between 1 per cent and 2 per cent on the real value of assets contributed to a company on its formation. It is envisaged that a common rate of duty will be laid down at a later stage. The adoption of these measures here would result in a *net* annual loss of revenue but the amount would not be significant.

Tax Structure

8.16 Because of the late development of industry in Ireland the base for direct taxation is relatively narrow compared with EEC countries. Accordingly, the structure of Irish tax yields shows a heavy dependence on indirect taxation, especially on customs and excise duties applicable to a narrow range of commodities. Social security contributions play a far greater role in the EEC than in Ireland in the financing of social expenditure. The introduction of an added-value tax in place of the existing turnover and wholesale taxes would not necessarily involve a major change in the structure of tax yields. However, the eventual harmonisation of the rates of the added-value tax and the excise taxes would be likely to cause a change in the structure of indirect taxation in Ireland. The yield of the specific excise taxes would be likely to diminish somewhat in importance, while the general sales tax would form a greater proportion of the total.

CHAPTER 9

ECONOMIC POLICY

Economic and Monetary Policies

9.1 The EEC Treaty provides for the co-ordination of the economic policies of the member States.

9.2 Member States are required to regard their policies on short-term economic trends as a matter of common concern and review and consultation procedures have been introduced to facilitate the fulfilment of this obligation. A Short-Term Economic Policy Committee examines the short-term policies of the member States and, where appropriate, makes critical comments and suggestions for improvements. The Council, when it deems it necessary to do so, issues recommendations to all the member States urging them to take specified measures to deal with the economic situation. It is, in fact, empowered to issue directives requiring the member States to take appropriate measures to deal with the current economic situation but to date this power has not been invoked.

9.3 Quarterly surveys of the current economic situation and outlook for each member State and for the Community as a whole are issued by the Commission which also makes annual reports to the European Parliament reviewing economic developments and prospects.

9.4 With a view to the co-ordination of medium-term economic policies the Community has adopted medium-term economic policy programmes. The first programme, issued in February 1967, covers the period up to end 1970 and is complemented by a second programme issued in December 1968. These programmes do not imply a single unified economic policy for the Community but are rather aimed at the co-ordination of the separate economic policies of the member States within a broad framework based on general guidelines. No quantitative targets were set for the individual member countries or for the Com-

munity as a whole. A Committee, known as the Medium-Term Economic Policy Committee, studies the economic policies of the member States and considers to what extent they can be reconciled with the medium-term programme.

9.5 The Treaty also aims at the co-ordination of the policies of the member States in monetary matters to the full extent necessary for the functioning of the Common Market. Each member State is required to pursue the economic policy necessary to ensure equilibrium in its overall balance of payments and to treat its policy with regard to exchange rates as a matter of common interest, while taking care to ensure a high level of employment and the stability of price levels.

9.6 A Monetary Committee carries out periodic reviews of the monetary and financial situation in member States and reports to the Commission and the Council. Member States are required to consult within the Monetary Committee before taking major decisions in the field of international monetary relations, including decisions regarding the general functioning of the international monetary system, recourse to international monetary assistance or the grant of large-scale financial assistance to third countries. A Committee of Governors of Central Banks holds consultations on the general principles of the central banking policies of the member States, particularly in regard to credit and the money and foreign exchange markets. There is also a Budget Policy Committee, which studies the broad lines of the budgetary policies of the member States.

9.7 If a member State is in, or is threatened with, balance-of-payments difficulties the Treaty envisages that a remedy should be sought in the adoption of appropriate internal policies and in the grant of assistance by the other member States. In such cases, the Commission investigates the position, examines the action which the member State has taken or proposes to take and suggests remedial measures. If the action taken by the member State and the measures suggested by the Commission are insufficient, the Council may, on the recommendation of the Commission, grant assistance to the country in difficulties; this may include the grant of financial assistance by the other member States, subject to their agreement. If the assistance recommended by the Commission is not granted or is insufficient, the

Commission may authorise the country concerned to take protective measures. Such authorisations may be revoked or changed by the Council.

9.8 In the event of a sudden balance-of-payments crisis the member State concerned may take unilateral action subject to review by the Council. The action should be such as would cause the least possible disturbance in the operation of the Common Market and should not be wider in scope than is strictly necessary to remedy the difficulties.

9.9 Member States are required to treat their policies regarding exchange rates as a matter of common interest and have agreed to consult each other before changing the parity of their currencies.

9.10 The arrangements outlined above provide mainly for consultations. However, the implementation of the Treaty, particularly the establishment of the customs union and the introduction of the common agricultural policy, has greatly increased the interdependence of the economies of the member States and has led to suggestions that closer integration of economic and monetary policies is necessary. The Heads of State or Government, at the Hague Summit meeting on 1/2 December 1969, agreed that, on the basis of a memorandum submitted by the Commission to the Council in February 1969, a plan in stages should be worked out during 1970, in close collaboration with the Commission, with a view to the creation of an economic and monetary union. They also agreed that the possibility of setting up a European reserve fund should be investigated.

9.11 The Commission memorandum of February 1969 (also known as the Barre Memorandum) proposed measures aimed at achieving a greater degree of integration of the economies and policies of the member States and at providing monetary aid to member States in difficulty. On the basis of these proposals the Council have agreed—

(1) to adopt a procedure under which each member State is required to consult in an appropriate Committee before introducing any important measures which would have a significant effect on its own internal or

external equilibrium, or on the economies of the other member States or which might cause a serious divergence between the evolution of its economy and the objectives of the Community's Medium-Term Economic Policy Programme. Such consultation may be demanded by any other member State or by the Commission;

(2) to accept the principle that medium-term economic objectives for the member States and for the Community as a whole should be defined at Community level with the aim of achieving more effective harmonisation of the medium-term policies of the member States. The Commission has been asked to draw up, by Autumn 1970, a draft third medium-term economic policy programme, for 1970-75, containing definitive targets for the individual member States, and the Community as a whole, in respect of gross national product, employment, current balance of payments and prices. The aim is that the member States would use these targets in fixing their national policy objectives for the five years in question. The third programme is also to indicate the main structural actions (e.g. changes in the structure of agriculture or industry) which should be carried out either at national or Community level in order that the targets can be achieved.

9.12 A third proposal in the Barre Memorandum concerned the grant of short-term monetary support to a member State in balance-of-payments difficulties. The Central Banks of the member States have since established machinery for this purpose*. The establishment of this machinery is a concrete application of the grant of assistance to a member State in

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*Under the system a total of $2,000 million (£833 million) will be available for short-term support, in two stages. In the first stage, a member State's Central Bank can automatically draw up to the quota of its contribution to the first $1,000 million. The quotas are: $300 million each for France and Germany, $200 million for Italy and $100 million each for the Netherlands and for Belgium-Luxembourg. In the second stage, subject to the agreement of the other Central Banks, the Central Bank concerned can draw up to a further $1,000 million to the extent that this has not already been drawn.

balance-of-payments difficulties envisaged by the Treaty and referred to in paragraph 9.7 above. A fourth proposal—the establishment of machinery for the grant of medium-term financial aid to a member State in difficulties—is still under discussion in the Community.

9.13 As regards the decision at the Hague Summit meeting on the preparation of a plan for the creation of an economic and monetary union, the Commission submitted to the Council, in March 1970, a draft plan for the achievement of such a union by 1978 or possibly by 1980. The draft plan provides for the achievement of the objective by stages, each of which would be characterised by parallel progress in four sectors—co-ordination of economic policies, the gradual creation of a unified capital market, fiscal harmonisation and the strengthening of economic policies.

9.14 The broad objectives of Ireland's economic and monetary policies are in line with the aims of the EEC and the means adopted by the Community to achieve these aims are acceptable. Generally, it is not expected that membership would give rise to difficulties for Ireland in the implementation of these policies. We would stand to gain in so far as Community policies were successful in achieving greater stability and balanced growth throughout the enlarged Community. The review and consultation procedures should be helpful to us in dealing with economic trends, in formulating medium-term economic programmes best suited to the development of the economy in EEC conditions, and in dealing with balance-of-payments difficulties.

9.15 The agreement to define medium-term economic targets for the individual member States at Community level would facilitate Irish medium-term economic planning as a member of the Community in that the targets, which would be fixed in agreement with the Government, would be set against the background of the expected trend of economic development in the other member States which would include our principal export markets.

9.16 Consideration within the Community of the Commission's draft plan for achieving economic and monetary union (paragraph 9.13) is still at an early stage. It would be premature to

attempt to assess the implications of the plan for Ireland before decisions are reached on its final content.

9.17 As regards the balance-of-payments provisions, the application of the Community arrangements to Ireland would contribute towards the maintenance of a stable balance-of-payments position and would, also, provide a source of external aid should difficulties arise. Moreover, the arrangements would assist the maintenance of balance-of-payments equilibrium throughout the enlarged Community and the avoidance of recourse to restrictive measures which could seriously affect or limit demand in our principal export markets.

9.18 The machinery recently established for the provision of short-term monetary support, and envisaged for medium-term financial aid, to a member State in balance-of-payments difficulties (see paragraph 9.12 above) would provide a facility of which Ireland could avail in the event of such difficulties. Ireland would, of course, be expected to participate in the grant of assistance to other member States; the financial commitments which this would involve for Ireland will be a matter for negotiation.

9.19 Membership of the Community would impose some additional obligations on Ireland in regard to the action she might take to cope with balance-of-payments difficulties. The most important of these relates to our freedom to introduce measures directly affecting imports. At present, under the Anglo-Irish Free Trade Area Agreement and the GATT, Ireland could unilaterally impose quantitative restrictions on imports for balance-of-payments purposes, or, on the precedent of the action taken by Britain in 1968, could introduce an import deposit scheme. However, any such measures are subject to consultation in the GATT. Under Community rules such measures would be subject to Community authorisation. Although in the event of a sudden balance-of-payments crisis a member State may introduce protective measures provisionally, these are subject to review by the Council which may decide that they shall be amended, suspended or abolished.

9.20 The Community requirement with regard to changes in currency parities is one of consultation, and we are already

under obligation not to make such changes without the concurrence of the IMF. The fact that the common prices for the principal agricultural products are expressed in units of account (the unit of account is at present equal to the gold value of the US dollar) and that the prices which farmers receive are based on these prices has to be taken into account in considering any alteration in the parity of a member State's currency. Unless countervailing measures are taken*, devaluation or revaluation has the effect of raising or lowering prices for agricultural products in the member State concerned.

9.21 The Treaty Chapter on balance of payments also contains an Article requiring member States to authorise any payments connected with the exchange of goods, services or capital as well as any transfers of capital and wages, to the extent that the movement of goods, services, capital and persons is freed in the Community. There is a prohibition against the introduction of new restrictions on transfers connected with many invisible transactions, e.g. pensions, tourism, inheritances, authors' royalties. Neither of these provisions should create significant difficulties for Ireland. The lifting of restrictions on payments and capital flows to Ireland from the other member countries should be generally helpful to us.

Regional Policy

9.22 The principle of regional development is accepted in the Preamble to the EEC Treaty which records the member States' anxiety to strengthen the unity of their economies and ensure their harmonious development " by reducing the differences existing between the various regions and the backwardness of the less-favoured regions ".

9.23 Regional policies continue to be the responsibility of the member States, but the institutions of the Community are required to ensure their co-ordination, as in the case of other branches of economic policy.

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*France and Germany, when they changed the parities of their currencies in 1969, were allowed to take measures to cushion the effect of the changes on prices for agricultural products.

9.24 In order to facilitate the achievement of regional policies the Treaty provides for certain exemptions from specific provisions or obligations. For instance, though State aids which distort or threaten to distort competition are forbidden, the Commission may rule that aids to regional development are compatible with the Treaty. There is a similar provision in respect of the Treaty requirement that transport rates or conditions should not contain any element of support or protection for particular industries. Again, it is provided that during the transitional period a member State may be authorised to take protective measures, including derogations from the Treaty, in the case of difficulties which could result in a serious deterioration in a region's economic situation.

9.25 One of the Community instruments for the promotion of regional development is the European Investment Bank which has made available loans totalling close on $1,000 million towards the financing of projects in the member States, particularly in Southern Italy (see paragraph 9.36). Projects aimed at encouraging the harmonious development of the general economy of an area receive priority in the allocation of aid from the Guidance section of the European Agricultural Guidance and Guarantee Fund, which provides finance for improvements in agricultural structure. The European Social Fund which helps to finance national retraining and resettlement schemes (see Chapter 11, paragraph 11.10) also contributes to furthering the objectives of national regional policies; the Council has received proposals from the Commission designed to broaden the scope of the Fund and make it a more efficient instrument in the sphere of regional development.

9.26 One of the major instruments of regional development at the disposal of the member States is the granting of State aids. As mentioned in paragraph 9.24 above, the Commission has the task of deciding whether particular State aids are compatible with the Treaty. It has indicated that in the case of aids for regional development it considers that the aid should be appropriate in the light of conditions in the region in question and that it should not harm the industries of other member States to an extent that would be out of proportion to the end in view. The first medium-term economic policy programme, adopted by the Community in 1967, recommended that aids

should only be granted to enterprises which are financially sound and may be expected to be lastingly competitive and that they should be temporary and not form an obstacle to the process of adaptation or lead to the maintenance of non-competitive activities.

9.27 The first medium-term economic policy programme also stressed the need for balanced regional growth through the creation of requisite conditions for development. In this context it recommended that special attention should be given to the improvement of infrastructure, and that national policies in this field should be co-ordinated as far as possible at Community level. A number of different types of regional problems are distinguished and views are given on the most appropriate measures to be implemented in each case including the use of " development poles " or centres in peripheral and underdeveloped regions. Such poles or centres are seen as only one element in regional policy which it is stated should be based on a comprehensive view of the development potential of all sectors.

9.28 The Commission has submitted to the Council a proposal aimed at the co-ordination and intensification of the regional policies of member States. The basic aim is to encourage the member States to draw up regional development plans which would be co-ordinated at Community level. A member State would discuss its plans with the Commission and, at the suggestion of either party, the plans could be referred for examination to a Standing Committee for Regional Development. This Committee would be representative of each of the member States and of the Commission. Where a member State's regional development plans had been discussed by the Standing Committee and the Commission considered that they did not conflict with the aim of achieving the co-ordination of economic policies, the Commission would be empowered to make financial assistance available towards their implementation. This assistance would take the form of interest rate subsidies or repayment guarantees in respect of loans from the European Investment Bank or other financial institutions. No distinction in principle would be made between projects in the public and private sectors. The amount available to the Commission would be limited and would be used to induce capital flows into underdeveloped regions.

9.29 The Commission, in its Opinion of 1 October 1969 on the applications for membership of the Communities, said in regard to regional policies:—

> "The accession of the United Kingdom, Ireland, Denmark and Norway to the Community should not, it seems, call for any changes in the European Community's regional objectives.
>
> Regional policies and regional problems in the prospective member countries are not basically different from those in the present Community countries.
>
> The applicants' regional policies are like those of the member States in having the same objective, more balanced distribution of development and similar incentives to guide the siting of new industry.
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> . . . . . .
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> Ireland has embarked upon a policy of industrialisation. The aim is to stimulate the economic development of the whole country rather than redress the differences in economic development between the various regions. Gross national product per head is approximately the same in Ireland as in Italy, but the differences between regions are less wide.
>
> In the six-member Community it has been found that economic union with its common policies and even the common market with its threefold freedom of movement for workers, goods and capital could not be established and would not confer the expected benefits unless regional economic structures were resolutely harmonised. This should provide an additional incentive, once the process of enlarging the Community begins, to pay particular attention to the need for very active promotion and co-ordination of regional policies at Community level."

9.30 The broad objectives of Irish regional policy are in harmony with those recommended to the member States in the first medium-term economic policy programme. The Government's view, that the potential of every region should be exploited to the full and that the tendency towards unbalanced

regional development should be checked by creating conditions in which a more dispersed geographical distribution of activities will be achieved, is in agreement with Community policy.

9.31 The lines on which Community and Irish regional policies are developing are broadly in parallel. The stress laid by the Community on the importance of infrastructure in regional development is fully accepted by the Government and is reflected in the advice given to local authorities to maintain liaison with industrialists and to give priority attention to their needs for infrastructure. Local authorities are forming regional groups, to co-ordinate, on a regional basis, programmes for development. The aim of this initiative, which is to ensure that a coherent view is taken within each region of the problems and possibilities of the region as a whole, is in accord with the view of regional policy implicit in the recent proposals by the Commission for the strengthening of regional policy mentioned in paragraph 9.28 above. If these proposals are implemented it is likely that, after entry to the Community, Ireland would be involved in a periodic examination with the Commission of its regional problems and measures for regional development. The work of the regional co-ordinating groups and of the regional offices of the Industrial Development Authority would assist in laying the groundwork for this kind of dialogue.

9.32 Our State aids to regional development are of a form favoured by the Community in that they are intended to assist the establishment of economic activities which will be capable of survival and growth in the face of competition.

European Investment Bank

9.33 The Bank was established with the objective of contributing to the " balanced and stable development of the Common Market in the interests of the Community ". This it achieves by giving loans and guarantees on a non-profit-making basis to facilitate the financing of the following types of projects:

(a) projects for developing less-developed regions;

(b) projects for modernising or converting undertakings or for developing new activities where such projects by

their size or nature cannot be entirely financed by the various means available in the individual member States; and

(c) projects of common interest to several member States which by their size or nature cannot be entirely financed by the various means available in the individual member States.

9.34 The Bank's capital is fixed at present at $1,000 million, the scale of subscriptions by member States being as follows:

	$m.
France	300.0
Germany	300.0
Italy	240.0
Belgium	86.5
Netherlands	71.5
Luxembourg	2.0
	1,000.0

9.35 The Bank is empowered to borrow on international capital markets (including those of non-member States) funds necessary for carrying out its tasks and by the end of 1968 it had borrowed up to $766 million in member States and in New York. To provide finance for specific projects, the Bank may require member States to make special interest-bearing loans to it in proportion to their capital subscriptions, if it cannot obtain adequate funds on the capital markets at reasonable terms. So far, the Bank has not used this power.

9.36 During the first decade of its operations (i.e. the period 1959-68) the Bank approved loans in member States totalling $987.5 million involving 169 projects. Almost two-thirds of the loans approved have been in respect of projects in Italy, mostly regional development projects in Southern Italy. In addition to loans for projects in member States, the Bank has from 1962 extended its field of operation to countries associated with the Community; by the end of 1968, the total amount of loans approved to these countries amounted to $275.5 million. The

Bank's participation represents, on average, 22 per cent of the total investment in projects. The average amount of the loans granted was $5.3 million; 59 per cent of the loans were below $3 million.

9.37 The following is a percentage breakdown by sectors of the investments financed by the Bank:

Agriculture	10.5
Industry	36.6
Energy	14.4
Transport	30.8
Other*	7.8
Total	100.0

9.38 Loans are granted to public or private concerns subject where appropriate to guarantee by the Government concerned or by another satisfactory guarantor. They are conditional on the use of other sources of finance to the maximum extent possible. The rate of interest varies from time to time, depending on the terms and level of interest rates on capital markets. The present rate of interest is 7½ per cent for loans not exceeding twelve years and 8 per cent where the duration exceeds twelve years. As mentioned in paragraph 9.28 above, the Commission has proposed that it be empowered, in certain circumstances, to subsidise interest rates on, or guarantee repayment of, loans by the Bank for regional development.

9.39 Newly acceding countries would be required to subscribe to the Bank's capital. The size of their contributions would be determined at the accession negotiations. It is not possible therefore to say precisely at this stage what Ireland's contribution would be but it would possibly be of the order of £3-4 million. As in the case of the founder members, only 25 per cent of the contributions of the acceding countries would have to be paid up, probably over a few years. The remainder would not be called up unless the Bank found that this was necessary to enable it to meet its obligations.

*Includes investments in telecommunications, tourism and water supply.

9.40 A rapid increase in investment is a key element in generating high rates of economic growth. Membership of the Bank would provide access to a new source of capital for regional and industrial development in Ireland.

CHAPTER 10

COMMERCIAL POLICY TOWARDS NON-MEMBER COUNTRIES

10.1 The Treaty envisaged the adoption of a common commercial policy towards non-member countries by the end of the transitional period, i.e. 31 December 1969, and to this end specified action to be taken during the transitional period. In the event, however, the Community has not yet completed the adoption of a common policy although progress has been made.

10.2 The measures adopted so far include :—

(1) an agreed list of goods admitted free of quantitative restriction from non-member countries other than state-trading countries. Member States may not impose restrictions on imports of these goods except where emergency action is called for and such action is subject to review by the Council;

(2) agreed lists of goods admitted free of quantitative restriction from state-trading countries. Member States may not impose restrictions on imports of these goods except where imports are in such large quantities as to cause or threaten serious injury to domestic producers and such restrictions are subject to possible review by the Council;

(3) arrangements for the administration of Community quotas for imports from third countries when these quotas come to be introduced;

(4) arrangements for supervising imports into the Community of sensitive goods which are not subject to quantitative restriction, the aim being to enable action to be taken in good time to prevent dislocation of the Community markets;

(5) Community procedures for dealing with dumped and subsidised imports from non-member countries (see Chapter 4 para. 4.22);

(6) common arrangements in respect of Community exports to third countries based on the principle that such exports should not be subject to quantitative restriction but allowing for exceptions for a limited number of specified products; and

(7) an agreement among member States to consult among themselves before granting export credit guarantees for periods in excess of five years.

10.3 Under Council decisions of 1960 and 1961 member States are required to consult together before concluding any trade agreement with or altering their liberalisation measures *vis-à-vis* a third country. Such trade agreements could not extend beyond the end of the transitional period and were required to include provisions allowing for the annual annulment of the agreement or for amendment where obligations under the Treaty so required or, alternatively, to have a validity not exceeding one year. Derogations from these decisions have been authorised by the Council to permit the extension beyond the end of the transitional period and into 1970 of a number of the member States' trade agreements with third countries and the conclusion of new agreements by member States, notably the Trade Agreement between France and the Soviet Union which covers the period 1970-74. On 16 December 1969 the Council adopted a decision which contained provisions for—

(1) the renewal of existing bilateral trade agreements after the transitional period, subject to the approval of the Council;

(2) the negotiation of Community trade agreements; and

(3) the negotiation by the member States, until 31 December 1972 subject to the approval of the Council, of bilateral trade agreements with countries with which it is not possible to conclude Community agreements.

10.4 Although the measures for the full achievement of the common commercial policy remain to be completed, elements of commercial policy are already being conducted on a Community basis. Negotiations with non-member countries have been carried out on a Community basis in respect of the common customs tariff and agricultural products for which a common market organisation is in operation, e.g. trade negotiations in the GATT and the negotiation of modifications of Community levies on certain agricultural products from some non-member countries. Community trade agreements with non-member countries are also in force, viz. with Iran and the Lebanon, and negotiations or talks preliminary to the opening of negotiations are in progress with the Argentine, Austria, Japan, the Lebanon (a possible new agreement), Malta and the United Arab Republic. In general these agreements have limited coverage. Negotiations for trade agreements with Israel, Yugoslavia and Spain were recently concluded. The Community has also subscribed to the Agreement on Cotton Textiles drawn up under the aegis of the GATT under which the member States have undertaken to increase their imports of cotton textiles from less developed countries by the same proportions.

10.5 Member States have availed themselves in many instances of a safeguard provision in Article 115 of the Treaty to prevent their individual restrictions on imports of goods of third country origin being circumvented by the import of such goods through another member State. Under this provision, failing co-operation between the member States, the Commission can authorise the member State experiencing difficulty to take protective measures. In cases of urgency member States were entitled, during the transitional period, to take protective action subject to notification to the other member States and the Commission. The latter had the power to decide that such measures should be amended or revoked.

10.6 As a member of the EEC, Ireland would be obliged to comply with the measures set out in paragraphs 10.2 and 10.3 above and with any other decisions taken towards the completion of the common commercial policy.

10.7 Negotiations with non-member countries relating to the common customs tariff, both on a bilateral basis and in international organisations such as the GATT, would, on the enlargement of the Community, continue as heretofore to be on a Community basis. These negotiations are conducted by the Commission working on a mandate authorised by the member States in the Council and, as a member of the Council, Ireland would participate in the drawing up of the Commission's mandate.

10.8 Ireland's trade agreements with countries other than the member States and the applicant countries are for the most part in general terms, providing specifically or in practice for reciprocal most-favoured-nation treatment. Their continuance in operation after Ireland's accession to the Community should present no difficulty. Trade agreements with three countries, i.e. Canada, Ceylon and South Africa, provide for the granting of certain tariff preferences in return for preferences granted by these countries, and these would require to be re-negotiated to take account of Ireland's obligations as a member of the Community. If accession led to loss of our preferential position in these and in other markets where we enjoy Commonwealth preference, there would be implications for our export trade.

10.9 Ireland would, on accession to the Community, be required to adhere to whatever Community trade agreements were in force at that time. Adherence to the Community agreements at present in operation, viz. those with Iran and the Lebanon, and those recently concluded with Israel, Yugoslavia and Spain would not present difficulty. An assessment of whatever trade agreements are negotiated by the Community with the other countries mentioned in paragraph 10.4 must await their final conclusion.

10.10 The adoption of the Community's common policy in regard to the liberalisation of trade with non-EEC countries, including "low-cost" producers and state-trading countries, would not appear, at this stage, to have serious implications for

Ireland. There are two areas, however, in which it would be particularly relevant,

(a) in relation to our existing quotas (mainly on textiles) applicable to certain low-cost and state-trading countries, and

(b) in relation to goods, not subject to these quotas, which might be sensitive to competition from such sources when our present relatively high duties are reduced to the levels of the Community's common customs tariff.

Having regard to the wide range of products, e.g. in the textile sector generally, which are not included in the Community list of goods on which trade is liberalised, and also to the provision for action in case of special difficulties, it is felt that we would be enabled to afford protection to sectors which would be especially sensitive to competition from low-cost sources or state-trading countries.

CHAPTER 11

SOCIAL POLICY

General Social Provisions

11.1 One of the main aims of the EEC Treaty is to bring about an improvement in the living and working conditions of the people in the member States. The Treaty does not impose specific obligations towards this end on the member States apart from the obligations to achieve the principle of equal pay for the same work as between men and women and to assist through a Social Fund towards the retraining and resettlement of workers. It also charges the Commission with the task of promoting close collaboration between the member States in the social field, particularly in relation to employment, labour law and working conditions, vocational training, social security, industrial health and safety, trade union law and collective bargaining. This is done through the undertaking of studies, the giving of opinions and consultations.

11.2 As regards working conditions, the Commission's surveys indicate that, within the Community, working conditions have been improved in line with the economic expansion which has taken place. In the important field of social security, work on harmonisation has been confined to studies by the Commission. These studies show that there are considerable differences between the systems in the member States, both as regards the structure and the level of benefits. There is, however, a gradual trend towards their broad convergence; the gap between the proportion of gross national product spent on social security services in the member States at the extremes has been greatly narrowed.

11.3 Acting on proposals from the Commission, the Council has determined the general principles for the implementation of a common policy of vocational training. In addition, the Commission has issued a recommendation to member States urging the development of vocational guidance services.

11.4 In the field of industrial safety, the Council has issued a directive regarding dangerous substances. It also has before it for consideration a number of draft directives relating to prevention of accidents from scaffolding, cranes, hoists, belt conveyors, etc.

11.5 The Commission has issued a recommendation for the improvement of industrial medical services and also a recommendation concerning the protection of young people at work. A draft recommendation on the protection of expectant and nursing mothers at work is also being considered within the Community.

11.6 It is expected that the broad tendency towards harmonisation manifested within the Community would make itself felt in Ireland on entry to the Community.

11.7 With regard to action taken by the Community institutions on specific subjects, it is considered that the factual studies of working conditions in various member States carried out by the Commission would provide useful yardsticks by which to measure our progress on entry to the Community. As the Treaty does not prescribe a uniform social security system, extensive changes in Ireland's social security arrangements would not be necessary.

11.8 In this country, responsibility for all forms of manpower training in industrial and commercial sectors is vested in An Chomhairle Oiliúna, set up under the Industrial Training Act, 1967. The general principles on vocational training followed within the Community, which include the preparation of " career briefs ", should be of significant benefit in the development of our training programmes. Similarly, the recommendation of the Commission on vocational guidance would be of valuable assistance in the development of other elements of manpower policy, particularly as regards the employment and placement services.

11.9 The recommendations of the Commission are not binding on member States. Nevertheless, the recommendations already issued in the sphere of industrial health and safety and the other measures being contemplated should constitute a significant

influence towards harmonisation of standards. Following entry to the Community our law and practice would, it is expected, be gradually adjusted as these standards came to be generally applied within the Community.

European Social Fund

11.10 The European Social Fund was established with the ultimate objective of contributing towards the raising of living standards within the Community. The Fund is financed by contributions of member States and its prescribed function is to promote opportunities for employment and the geographical and occupational mobility of workers. Within limits defined by regulations, the Fund may reimburse 50 per cent of amounts expended by member States or by organisations governed by public law on—

(a) ensuring productive re-employment of workers by means of occupational retraining and resettlement allowances, and

(b) maintaining, during industrial re-conversions approved by the Commission, the wage levels of permanent employees pending full re-employment.

11.11 Retraining assistance is confined to the cases of unemployed workers who cannot be placed in full-time employment otherwise than in new occupations and is conditional upon the workers having been in productive employment for a period of at least six months in the occupations for which they have been retrained. Assistance towards resettlement is limited to unemployed workers who are obliged to change from their normal place of residence within the Community and is conditional upon the workers having been in productive employment for at least six months in their new place of residence. Assistance towards maintenance of wage levels of workers in the case of an undertaking being converted to different activities is conditional upon the workers having been fully employed again in that undertaking for a period of at least six months.

11.12 Up to 31 December 1968 the Fund had paid out over $80 million, comprising $74 million on retraining and $6 million on resettlement allowances.

11.13 The Treaty provides (Article 126) that, at the expiry of the transitional period, the Council, acting on an opinion of the Commission, may rule that all or part of the assistance of the type hitherto granted from the Fund shall no longer be given or may determine the new tasks to be entrusted to the Fund within the framework of its general mandate.

11.14 In 1965, the Commission submitted proposals to the Council for changes in the Fund's activities. The Council was unable to reach agreement on these proposals. In the light of this situation and the provisions of Article 126, the Commission has submitted new proposals to the Council for the reform of the Fund and the extension of the scope of its activities. In putting forward its proposals, the Commission emphasizes the need for the constant adaptation of manpower to the requirements of technological development and for giving a Community bias to the Fund's financial operations. It proposes that sufficient flexibility be introduced into the Fund's rules to enable the types of assistance granted (technical retraining, geographical mobility, maintenance of incomes, etc.) to be related to the particular problems of adaptation or re-employment requiring solution. Subject to the Council's approval, decisions would be taken on the priorities in giving assistance within the overall context of the Community's regional development and medium-term economic policies. The Commission also proposed that the Fund's resources should be stepped up considerably, initially to $50 million a year and ultimately to $250 million a year. The Council has not yet taken a decision on the Commission's proposals.

11.15 In the absence of final decisions within the Community on the future scale of operations of the Fund, it is impossible to assess fully the benefits which Ireland would derive. However, our manpower policies are being developed and expanded and it is expected that the retraining and resettlement activities would benefit from assistance from the Fund.

Equal Pay for Men and Women

11.16 The Treaty imposes on member States an obligation to ensure and maintain the application of the principle of equal pay for the same work as between men and women. The existing

member States allowed themselves a period of four and a half years up to mid-1962 for the full application of the principle but this was later extended to the end of 1964.

11.17 While significant progress has been made, the implementation of the principle has not been fully achieved in any member State. Lack of progress is most noticeable in sectors employing a large number of women. A major difficulty has been the interpretation to be given to the concept of the " same work ". The Commission's view is that the principle of equal pay must be accepted in its widest sense to include the elimination of all measures involving implicit or explicit discrimination in the matter of women's remuneration. In dealing with the legal background to implementation of the principle, the Commission considers that the Community countries can be divided into two groups, (a) countries where legal instruments exist which more or less fully guarantee women workers a right to equal pay which can be upheld by the Courts, and (b) other countries where the existence of safeguards depends on the application of the equal pay principle in collective bargaining agreements. The Commission, however, has concluded that the fact that in some countries no legal safeguard yet exists does not necessarily mean that these countries lag behind the others in applying the principle.

11.18 The Government have recently set up a Commission to consider the whole question of the status of women in Irish society.

11.19 A detailed survey of Irish employment would be required to determine which women were engaged in the same work as men and, if so, the extent to which they were being paid at lower rates. In the absence of such information, it is impossible to make a reliable estimate of the cost of implementing the equal pay principle in the private sector.

11.20 In the public sector, application of the principle of equal pay for the same work has to be considered in relation to the teaching profession, the Civil Service, local authorities and some State-sponsored bodies. Abolition of sex differentiation in pay to comply with the Treaty provision would cost an extra £1.25 million a year. If, in consequence, women and single men

on marriage-differentiated scales were to be given the same rates as are now paid to married men and related adjustments made in the pay of grades at present consisting entirely of women, the total cost could exceed £9 million a year.

11.21 On accession to the Community consideration would have to be given to the introduction of legislation and any other necessary measures to give effect to Ireland's obligations under the Treaty in regard to equal pay. The transitional arrangements to be applied by new member States in implementing the equal pay principle will be a matter for settlement in the negotiations.

CHAPTER 12

EUROPEAN COAL AND STEEL COMMUNITY

12.1 Part III of the 1967 White Paper gives a detailed summary of the provisions of the Treaty of Paris which set up the European Coal and Steel Community (ECSC). Briefly, the ECSC Treaty prohibits duties, quantitative restrictions, discriminatory pricing measures, subsidies or other practices which impede the free movement of coal and steel within the Community. While it does not require the imposition of a common customs tariff against imports from third countries it does make provision for the adjustment of protection against imports from these countries. The expenses of the Community are met from the proceeds of levies charged on the production of coal and steel and paid by the producers.

Coal

12.2 The term coal includes hard coal and patent fuels made from hard coal, coke, brown coal briquettes and lignite. Peat is outside the scope of the Treaty.

12.3 Coal production in this country is confined to anthracite and semi-bituminous coal. Anthracite is produced in the Leinster coalfield and production amounts to about 120,000 tons per annum. Practically all of this production is sold on the home market. Home production of anthracite is supplemented by imports mainly of grades which are not produced here in sufficient quantity to meet the home demand. Such imports amounted to about 70,000 tons in 1969. Semi-bituminous coal is produced at the Arigna Coalfield, the annual production being in the region of 65,000 tons. Only a small proportion of the total demand for coal is covered by home production. In 1969 imports amounted to 1.1 million tons which were purchased on the world market. 0.7 million tons were imported from Poland and the balance came from the United States, Great Britain and Germany (Federal Republic).

12.4 A nominal measure of protection is afforded to the anthracite mining industry by the duty of 3/- per ton on imports of anthracite of non-British origin.

12.5 On accession to the ECSC the duty of 3/- per ton on imports from member States would have to be removed, but this would have no practical effect on the Irish anthracite industry because it is too small to give any effective help to the industry. The Arigna production of semi-bituminous coal is sold locally and it is not expected that there would be any interference with present marketing arrangements. The levy chargeable on coal production and payable by coal producers in the Community, which is at present at the level of 0.3 per cent (0.7d. in the £), would amount to about £3,000 and would not represent an onerous charge on the Irish mines.

Steel

12.6 In so far as steel is concerned, the products coming within the scope of the Treaty of Paris include iron ore, scrap, pig iron, billets, blooms, bars, sections, wire rod and galvanised sheet. Any steel products not covered by the Treaty of Paris would, of course, be covered by the Treaty of Rome.

12.7 It is envisaged that a Community tariff will operate from 1 January 1972 with rates varying from 3 per cent to 8 per cent according to the product.

12.8 The implications of membership of the ECSC for the steel sector in this country are largely confined to the position of Irish Steel Holdings Ltd., Haulbowline, Co. Cork, whose capital was provided by the Minister for Finance. The products of the firm come within the scope of the Treaty of Paris. The value of production for the year ended 30 June 1969 was £5 million. The firm manufactures steel mainly from native scrap with a proportion of imported pig iron. The steel is then rolled down to form blooms, billets, channels, angles and merchant bars. The firm is also engaged in the galvanising and corrugating of imported sheet. Their products are protected from competition from abroad by import duties and there is also a prohibition on the export of scrap except under licence.

12.9 On accession, Irish tariffs on imports of steel from member States of the enlarged Community would have to be eliminated in accordance with whatever rhythm of tariff reduction is agreed in the course of negotiations. The Community tariff against third countries on the type of products produced by Irish Steel Holdings will range from 5 per cent to 8 per cent and will be much lower than the protective tariffs at present enjoyed. The prospect facing Irish Steel Holdings in the Community is, therefore, that they would, after the end of the transitional period, have no protection within the enlarged Community and have a level of protection against other imports substantially below the current levels. They would also have to buy their raw materials within the enlarged Community or pay a duty on them. The present restrictions on the export of scrap would have to be eliminated in so far as exports to member States of the enlarged Community were concerned.

12.10 On accession to the Community, home prices in the Community would apply to all Community steel sold in this country and the possibility of steel products being sold in this country by members of the Community at dumped prices would be ruled out. Irish Steel Holdings would, therefore, have to meet competition from Community countries at the domestic price levels in those countries plus cost of freight. Whilst economies of scale are certainly important in relation to steel production, there is growing evidence in both the USA and Europe that the smaller specialised steel plants can more readily adapt their production to take maximum advantage of variations in market conditions than the larger units. Present indications, therefore, are that whilst Community competition would, undoubtedly, present a challenge, Irish Steel Holdings should be able to meet this challenge.

12.11 With regard to the ECSC levy on the value of production, which has been fixed at 0.3 per cent for 1970, the contribution of Irish Steel Holdings on the basis of current production would be approximately £16,000 per annum.

CHAPTER 13

EURATOM

13.1 A detailed summary of the provisions of the Treaty setting up the European Atomic Energy Community (EURATOM) is given in Part II of the 1967 White Paper. Briefly, this Community is concerned with creating the conditions necessary for the establishment and growth of a nuclear power industry and also with encouraging secondary utilisations of atomic energy in the fields of medicine, agriculture and industry. In the fulfilment of this objective, EURATOM is required to develop nuclear research, to disseminate information and to establish safety standards to protect the health of workers and the general public. It is also required to ensure an equitable supply for member States of ores and nuclear fuels, to control the use of nuclear materials and to develop a common market within the member States in specialised materials and equipment.

13.2 Ireland, at present, has no nuclear power industry and the implications for Ireland of membership of EURATOM are, accordingly, limited. The only immediate implication would arise in respect of the establishment of safety standards for the protection of the health of workers and of the general public.

13.3 Member States are required to enact appropriate legislation and make administrative provision to ensure compliance with certain basic standards for the protection of workers and the general public from the dangers arising from ionizing radiations (radiation from radioactive materials or X-rays). A close watch by the member States on the level of radioactivity in their air space, water and soil is expected and their co-operation with the Commission is required in regard to plans for disposal of their radioactive waste and with regard to safety regulations. Directives setting out basic standards for the protection of the health of workers and the general public have been issued by the Council. The Department of Labour is at present preparing safety regulations on the handling, use,

etc. of sealed radioactive materials of the kind used in industry. These regulations would comply with international standards and it is unlikely that any major modifications would be needed in them to meet EURATOM's requirements. The National Radiation Monitoring Service, which operates under the aegis of the Department of Health, would be capable of carrying out any environmental checks required on levels of radioactivity in this country.

13.4 As part of their programme for meeting future demands for electricity, the ESB are at present planning for the establishment of a nuclear power station which it is expected will, subject to Government approval, be commissioned by the end of this decade. The Government have announced that a Nuclear Energy Board will be set up shortly and one of the Board's functions will be to offer expert advice on the significance for Ireland of developments in the field of nuclear science including research programmes by international bodies such as EURATOM. In this connection membership of EURATOM would have advantages as regards access to nuclear expertise and training facilities.

13.5 The supply of nuclear source materials for the proposed ESB nuclear power station would, after our accession to the Communities, probably have to be negotiated through the EURATOM Supply Agency which has the exclusive right to conclude contracts for such materials originating within the Community or outside it. It is not expected that this requirement would have any significant implications for the ESB's plans.

CHAPTER 14

COMMON ENERGY POLICY

14.1 In 1964 the Council approved the general lines of a common energy policy which would have as its major objectives :—

(a) cheap power for the Community;
(b) stability of supply both in terms of cost and quantities available;
(c) to ensure that where one form of energy, for technical or economic reasons, is in the process of replacing another, this change should take place gradually;
(d) free choice for the consumer as between the different energy products i.e. coal, oil etc.;
(e) fair competition in a single market between the different energy products.

14.2 In December 1968 the Commission presented a Memorandum to the Council outlining proposals for the implementation of the common energy policy. The Memorandum falls into three parts: a general outline of the action to be taken; proposals for the establishment of a common market in energy; and proposals aimed at ensuring cheap and reliable energy supplies.

14.3 The general outline of action suggests the fixing of medium-term forecasts and annual examinations of the economic situation on the energy market. It also recommends the adoption of measures to avoid supply difficulties, including regular examination of supply conditions and the application of a stockpiling policy.

14.4 A common market in energy products would, it is suggested, be achieved by the adoption of suitable measures in the fields of free movement of goods, freedom of establishment and the rules of competition.

14.5 With regard to supplies, the Memorandum states that it is essential that the Community should have the means of regulating supplies in accordance with circumstances. To this end it proposes a co-ordinated coal import policy and the establishment of a Community programme for the supply of oils and nuclear fuels. It also suggests that the Commission should have the right to make formal proposals on investment policy and on the joint financing of investment programmes.

14.6 On 13 November 1969 the Council approved the basic principles of the Commission's Memorandum and invited the Commission to submit the most urgent proposals as soon as possible. In compliance with this request the Commission has put forward draft regulations for adoption by the Council which would provide for consultation on investment projects of Community interest in the petroleum, natural gas and electricity sectors and on import programmes for hydrocarbons.

14.7 The common energy policy is as yet in the early stages of its evolution and it is impossible to say precisely how it would eventually affect this country. The stated objectives as indicated in paragraph 14.1 would, however, be acceptable to Ireland. Improving the security of energy supplies would be of special benefit to this country as we are now dependent for up to 70 per cent of our total energy requirements on imported fuel, particularly oil.

14.8 Peat, which accounts for about 20 per cent of our primary energy requirements, is not referred to specifically in the proposals for a common energy policy. The proportion of our energy requirements which will be supplied by peat will decline from now on and it is unlikely that the continued promotion by the State of its use would cause difficulty for Ireland as a member of the Communities.

CHAPTER 15

FINANCIAL IMPLICATIONS OF MEMBERSHIP OF THE THREE COMMUNITIES

15.1 As a member of the Communities Ireland, in common with the other member States, would have responsibilities in regard to the financing of the Communities' activities and those of the associated financial institutions, namely, the European Investment Bank* and the European Development Fund.** At this stage it is not possible to give a firm indication of what these obligations would amount to. There is the obvious difficulty of forecasting the size of the Communities' budgets in the years ahead, particularly in the context of an increase in membership from six to ten. The major element is the financing of the common agricultural policy and this would be significantly affected by the enlargement of the Communities and by the rhythm agreed in the negotiations for the extension to the acceding countries of the obligations and benefits of that policy. The possibility of some changes in the common agricultural policy following the submission of the Mansholt Plan must also be borne in mind. Secondly, there is uncertainty as to the extent to which Ireland would be required to contribute to the financing of the Communities during the transitional period fixed for the purpose of her accession. This is also a matter for negotiation. Thirdly, while a decision was adopted recently providing for the financing of the EEC and EURATOM from the Communities' "own resources" as from 1975 (see paragraph 15.4) the possibility is not excluded of this decision being amended in the context of an enlargement of the Communities. Finally, the expenditure of the European Investment Bank and the European Development Fund would no doubt increase sub-

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*See Chapter 9.

**The Development Fund was established to finance development projects in the overseas countries and territories associated with the Community. Member States are required to contribute to the Fund according to a prescribed scale.

stantially with the enlargement of the Communities and revised scales of contribution would have to be negotiated.

15.2 Given all the above uncertainties, it is not possible to give a firm figure for the overall financial obligations of membership of the Communities. Where estimates are given in the following paragraphs they merely serve to illustrate the order of magnitude of the contributions Ireland would have to make as a member of the Communities. Of necessity, the estimates are tentative and are subject to many qualifications.

EEC and EURATOM

15.3 Up to and including the year 1970, the EEC and EURATOM were financed by direct contributions from the member States. The scales of contributions to the EEC expenses, which were fixed by negotiation between the member States, varied as between expenditure on (a) the EAGGF* (b) the European Social Fund and (c) the general budget. The scales for the EURATOM expenses, which were also fixed by negotiations, varied as between working expenses and research and investment expenses. The scale for the working expenses was the same as that for the general budget of the EEC. The bases on which the different scales were settled have not been published.

15.4 Under a decision taken by the Council on 22 December 1969, national contributions to the EEC and EURATOM (other than to the EURATOM Research and Investment special programmes, which are mentioned separately in paragraph 15.12) will be replaced in full, as from 1975, by the Communities' " own resources " which will be provided by the payment to the Community by the member States of (i) the yield of levies on agricultural imports, (ii) the yield of the common customs tariff and (iii) the yield from the standard added-value tax at a uniform rate not exceeding 1 per cent—the rate being calculated at a level sufficient to finance expenditure not covered by the receipts under (i) and (ii). Ten per cent of the levies and of the common customs tariff will be returned to the mem-

*Under the arrangements which applied immediately prior to 1970, a portion of the Guarantee Section of the EAGGF was financed by the payment over to the Communities of 90% of the levies on imports of agricultural products into the member States.

ber States to cover collection expenses. In the three years from 1975 to 1977, the annual variation in the percentage share of each member State in total payments to these budgets may not exceed 2 per cent compared with the preceding year.

15.5 The system of "own resources" will be brought into operation progressively over the four-year period 1971-74. During this period the member States will pay over to the Communities :—

(i) all levies on agricultural imports,

(ii) a portion of the receipts from the common customs tariff equal to the difference between the amount of the levies and a reference amount. The reference amount will be 50 per cent of the sum of customs duties and levies in 1971. In each subsequent year the percentage of customs duties and levies will be increased by annual increments of 12½ per cent so that the reference amount will be 100 per cent of the sum of customs duties and levies in 1975.

Ten per cent of the levies and of the common customs tariff will be refunded to the member States to cover collection costs.

Expenses not covered under (i) and (ii) above will be apportioned among the member States on the basis of the following percentage scale which was agreed by negotiation between the member States:—

	%
Belgium	6.8
Germany	32.9
France	32.6
Italy	20.2
Luxembourg	0.2
Holland	7.3

During the interim period (1971-74) the annual variation in the percentage share of each member State in total payments to these expenses may not exceed 1 per cent upwards or 1.5 per cent downwards as compared with the preceding year.

15.6 The extent of Ireland's obligation during the transitional period in respect of the financing of the EEC and EURATOM is a matter for decision during the accession negotiations. It would no doubt be related to the timetable agreed for the extension to Ireland of the obligations and benefits of membership of the Communities. As Ireland's accession would probably take place during the interim period 1971-74 referred to in paragraph 15.5 the form of her contribution during the transitional period might be related to the system agreed for the present member States for 1971-74 but this also would be a matter for negotiation.

15.7 It may be expected that the system of financing the budgets from the Communities' own resources would be fully in operation for the present member States by the end of Ireland's transitional period. If there were no substantial change in this system, Ireland would be required, with effect from the end of her transitional period, to pay over to the Communities the yield from:

(i) levies on agricultural imports from non-member countries,

(ii) the common customs tariff, and

(iii) the standard added-value tax at a uniform rate not exceeding 1 per cent.

15.8 The yield from the levies on agricultural imports into Ireland would depend on the volume of imports of leviable goods from non-member countries and the rates of levy in force for the products in question. The volume of imports could differ substantially from the present level as the levy system tends to have the effect of encouraging the deflection of purchases to Community sources of supply. As for the rates of levy, they depend on the level of world prices in relation to that of Community prices. In view of these uncertainties it is obviously impossible to forecast accurately what the amount of levies on imports into Ireland would be after the end of the transitional period. If one takes the level of imports from non-member States in 1968 and 1969 and the rates of levy in force in those years, the levy yield works out at about £5 million a year and this may give some indication of the order of magnitude.

15.9 As regards the common customs tariff, the rates of duty are known but the difficulty is to predict the level of our imports from third countries after the end of the transitional period. The elimination of duties on imports from the members of the enlarged Community, as well as on imports from associated countries, would tend to deflect purchases away from those countries which will not be associated with the Community. On the other hand, imports from such countries might be stimulated by the reduction in our import duties to the generally lower level of the common customs tariff. The likely level of prices and of import demand are also major unknowns. Taking the level of imports in 1969 from countries which are not likely to be associated with the Communities, and applying the common customs tariff as it will be after the Kennedy Round reductions are completed, gives a yield of £6 million a year but it must be stressed that this makes no allowance for changes in the volume of imports from the countries in question or for price changes.

15.10 The yield from an EEC-type added-value tax would depend on the levels of economic activity, consumption and prices and it is not possible to predict what these would be after the end of the transitional period. As in the case of the agricultural levies and the common customs tariff, therefore, the yield from added-value tax at 1 per cent is calculated on the present levels of trade and prices giving a figure of approximately £9 million.

15.11 In summary, the likely upper limit of Ireland's payment to the EEC and EURATOM after the end of the transitional period would be of the order of £19 million per annum, which would be made up as follows:

	£m.
(a) 90 per cent of receipts from the agricultural levies	4.5
(b) 90 per cent of receipts from the common customs tariff	5.4
(c) the yield from an EEC-type added-value tax at 1 per cent	9.0
	18.9

It must be stressed once again that these estimates merely serve to illustrate the order of magnitude of the payments involved and are subject to substantial limitations based as they are on the present geographical distribution of imports, the present volume and value of imports, the present rates of agricultural levies and the present levels of economic activity, consumption and prices.

EURATOM Research and Investment Expenses

15.12 These expenses are divided into two categories—one for common research programmes which will be financed from the Communities' " own resources " and one for special programmes which need be financed only by countries interested in these programmes. Ireland's contribution to the special programmes would depend on the extent of her participation in them.

European Investment Bank

15.13 The present capital of the bank (£417 million) will be enlarged on the accession of new members. The extent of the enlargement and the liability of each of the new members will be matters for negotiation. Ireland's subscription to the capital of the Bank might be of the order of £3–£4 million, 25 per cent of which would be called up and would be payable over a period of years.

European Development Fund

15.14 The existing Fund provides for development expenditure of £83 million per annum until 1975. It can be assumed that the enlargement of the Community would lead to an increase in the number of overseas countries and territories associated with the Community which in turn would necessitate an increase in the level of activities financed from the Fund. The extent of this increase and the level of Ireland's contribution are, however, matters for negotiation but the contribution could possibly lie between £0.5 million and £1 million a year.

European Coal and Steel Community

15.15 The activities of the ECSC are financed from the pro-

ceeds of levies on coal and steel production and from borrowings in the capital markets of member States. Levies are payable by producers and are assessed on an annual basis. At present the rate amounts to 0.3 per cent of the average value of the production of coal and steel. The application of this levy to the present value of Irish coal and steel production would involve the payment by the producers to the Community of amounts totalling about £20,000 a year in all.

Receipts from the Community Budgets

15.16 The estimates which have been made in the previous paragraphs refer to the *gross* financial costs of membership of the Communities and of the associated financial institutions, almost all of which would fall on the Exchequer. These costs must be set against our receipts from the Community Budgets, which would arise under the Agricultural Fund (the EAGGF) and the European Social Fund. While most of these receipts would not be paid into the Exchequer, they would, however, represent a saving on present expenditures which have to be met from the Exchequer.

15.17 Receipts from the Agricultural Fund would comprise reimbursements from the Guarantee Section of the Fund towards (a) the cost of subsidising exports of agricultural products to non-member countries and (b) the cost of intervention measures in support of prices in the internal Community market. In addition, we would be entitled to benefit from the Guidance Section of the Fund, through contributions towards the cost of suitable structural improvement schemes. In view of the uncertainty concerning the future trends of production, consumption and prices in an enlarged Community and the extent to which our agricultural exports would be disposed of within the enlarged Community and, having regard to the considerations set out in paragraph 15.1 above, it is impracticable to make an estimate of the level of our receipts from the Guarantee Section of the Fund. For example, much of the agricultural benefits could take the form of higher market prices rather than cash receipts from the Fund. Neither is it practicable to estimate what our drawings from the Guidance Section would be as these would depend on the types of structural programme that would be eligible for assistance from the Fund.

As already mentioned in Chapter 5 paragraph 5.18, on the basis of expenditure in 1969-70, the saving in respect of agricultural price supports and export subsidies which would no longer have to be met by the Irish Exchequer would be at least £36 million a year. If certain State aids at present in operation were not allowed to continue, the saving would be of the order of £46 million.

15.18 The difficulties involved in attempting estimates of our receipts from the Social Fund are: (a) no decision has yet been taken on the Commission's proposals for the reform of the Fund and the extension of the scope of its activities, and (b) it is impossible to estimate accurately the future level of our retraining and resettlement programmes.

CHAPTER 16

CONCLUSION

16.1 The Government's view of membership of the European Communities has been made clear on many occasions. It is, in the first place, that membership affords an opportunity of participating fully in the movement towards European unity, a movement which evokes a strong and sympathetic response in the Irish people. Secondly, membership of the enlarged Communities would provide conditions more favourable to our economic development than would be obtainable outside.

16.2 While the present White Paper gives a quantified assessment of the consequences for Ireland of entry to the Communities in respect of certain areas, it is not possible to demonstrate in national-accounts terms the economic consequences of, on the one hand, membership of the Communities and, on the other hand, not becoming a member. There is, nevertheless, a substantial basis for a qualitative conclusion which indicates that the national interest would be best served by entry to an enlarged EEC which included the United Kingdom. To remain outside would place our agricultural exports at a severe disadvantage and would leave very much in doubt the possibility of maintaining, let alone expanding, our industrial exports.

16.3 Because of its small scale, the domestic market does not of itself afford a sufficient basis for the expansion of the economy at a pace and to an extent that will enable the country to achieve its principle economic objectives, namely, full employment, the cessation of involuntary emigration and a standard of living comparable with that of other Western European countries. In Irish circumstances, therefore, economic growth of necessity depends on an expanding export trade.

16.4 Approximately half of all agricultural production is sold abroad; it follows that any increase in production must likewise

be exported. The difficulties of finding export outlets at remunerative prices for many of our agricultural products are well known. These difficulties would be greatly accentuated if Ireland were not to become a member of the enlarged European Communities. It is only necessary in this connection to advert to the sharp drop in our exports of cattle and beef to the present Community since the coming into operation of the common market organisation for these products. Membership would ensure access for Irish agricultural products to a large market at remunerative prices and enable them to compete on equal terms with those of the other member States. This would result in considerably higher returns for our exports of cattle, beef, dairy products, lamb and pigmeat.

16.5 Irish industry has been the main source of growth in the economy over the past decade. The rapid expansion of the industrial sector is a reflection of the rising trend in the value of our industrial exports which has exhibited a striking rate of increase—from £33 million in 1958 to £149 million in 1968. In achieving this increase, Irish industry has shown that it is capable of competing not alone in the British market where it has the advantage of duty-free entry but also in the EEC which now provides an outlet for industrial exports valued at £29 million. The removal of protection in the domestic market could entail difficulties for some sectors of Irish industry. The scale of these difficulties would depend on the response of Irish management and workers, in the firms affected, to the new trading situation as it emerged over the period leading to the assumption of the full obligations of membership. The possible losses in this regard, however, must be viewed in relation to the overall balance of advantage to the economy as a whole.

16.6 In the light of the growing strength of the economy and given equitable transitional terms, it is reasonable to conclude that membership of the European Communities would give a strong impetus to production and exports, both agricultural and industrial, and so to the growth of the economy. The enlarged Communities would constitute a market of over 250 million people capable of a high and sustained rate of growth and so would provide an external environment more favourable

to economic growth than that in which the Irish economy has heretofore been obliged to operate and substantially more favourable than that which would obtain if Ireland were to remain outside the enlarged Communities.

APPENDIX 1

COMMUNIQUE OF THE MEETING OF HEADS OF STATE OR GOVERNMENT OF THE MEMBER STATES AT THE HAGUE ON 1 AND 2 DECEMBER 1969

1. On the initiative of the Government of the French Republic and at the invitation of the Netherlands Government, the Heads of State or Government and the Ministers for Foreign Affairs of the Member States of the European Communities met at The Hague on 1 and 2 December 1969. The Commission of the European Communities was invited to participate in the work of the Conference on the second day.

2. Now that the Common Market is about to enter upon its final stage, they considered that it was the duty of those who bear the highest political responsibility in each of the Member States to draw up a balance sheet of the work already accomplished, to show their determination to continue it and to define the broad lines for the future.

3. Looking back on the road that has been traversed, and finding that never before have independent States pushed their co-operation further, they were unanimous in their opinion that by reason of the progress made the Community has now arrived at a turning point in its history. Over and above the technical and legal sides of the problems involved, the expiry of the transitional period at the end of the year has therefore acquired major political significance. Entry upon the final stage of the Common Market not only means confirming the irreversible nature of the work accomplished by the Communities, but also means paving the way for a united Europe capable of assuming its responsibilities in the world of tomorrow and of making a contribution commensurate with its traditions and its mission.

4. The Heads of State or Government therefore wish to reaffirm their belief in the political objectives which give the Community its meaning and purport, their determination to

carry their undertaking through to the end, and their confidence in the final success of their efforts. Indeed, they have a common conviction that a Europe composed of States which, in spite of their different national characteristics, are united in their essential interests, assured of its internal cohesion, true to its friendly relations with outside countries, conscious of the role it has to play in promoting the relaxation of international tension and the rapprochement among all peoples, and first and foremost among those of the entire European continent, is indispensable if a mainspring of development, progress and culture, world equilibrium and peace is to be preserved.

The European Communities remain the original nucleus from which European unity has been developed and intensified. The entry of other countries of this continent to the Communities—in accordance with the provisions of the Treaties of Rome—would undoubtedly help the Communities to grow to dimensions more in conformity with the present state of world economy and technology.

The creation of a special relationship with other European States which have expressed a desire to that effect would also contribute to this end. A development such as this would enable Europe to remain faithful to its traditions of being open to the world and increase its efforts in behalf of developing countries.

5. As regards the completion of the Communities, the Heads of State or Government reaffirmed the will of their governments to pass from the transitional period to the final stage of the European Community and accordingly to lay down a definitive financial arrangement for the common agricultural policy by the end of 1969.

They agreed progressively to replace, within the framework of this financial arrangement, the contributions of member countries by their own resources, taking into account all the interests concerned, with the object of achieving in due course the integral financing of the Communities' budgets in accordance with the procedure provided for in Article 201 of the Treaty establishing the EEC and of strengthening the budgetary powers of the European Parliament. The problem of the method of direct elections is still being studied by the Council of Ministers.

6. They asked the Governments to continue without delay within the Council the efforts already made to ensure a better

control of the market by a policy of agricultural production making it possible to limit budgetary charges.

7. The acceptance of a financial arrangement for the final stage does not exclude its adaptation by unanimous vote, in particular in the light of an enlarged Community and on condition that the principles of this arrangement are not infringed.

8. They reaffirmed their readiness to further the more rapid progress of the later development needed to strengthen the Community and promote its development into an economic union. They are of the opinion that the integration process should result in a Community of stability and growth. To this end they agreed that within the Council, on the basis of the Memorandum presented by the Commission on 12 February 1969 and in close collaboration with the latter, a plan in stages should be worked out during 1970 with a view to the creation of an economic and monetary union. The development of monetary co-operation should depend on the harmonisation of economic policies.
They agreed to arrange for the investigation of the possibility of setting up a European reserve fund in which a joint economic and monetary policy would have to result.

9. As regards the technological activity of the Community, they reaffirmed their readiness to continue more intensively the activities of the Community with a view to co-ordinating and promoting industrial research and development in the principal sectors concerned, in particular by means of common programmes, and to supply the financial means for the purpose.

10. They further agreed on the necessity of making fresh efforts to work out in the near future a research programme for the European Atomic Energy Community designed in accordance with the exigencies of modern industrial management, and making it possible to ensure the most effective use of the Common Research Centre.

11. They reaffirmed their interest in the establishment of a European university.

12. The Heads of State or Government acknowledged the desirability of reforming the Social Fund, within the framework of a closely concerted social policy.

13. They reaffirmed their agreement on the principle of the enlargement of the Community, as provided by Article 237 of the Treaty of Rome.
In so far as the applicant States accept the Treaties and their political finality, the decisions taken since the entry into force of the Treaties and the options made in the sphere of development, the Heads of State or Government have indicated their agreement to the opening of negotiations between the Community on the one hand and the applicant States on the other. They agreed that the essential preparatory work could be undertaken as soon as practically and conveniently possible; by common consent, the preparations would take place in a most positive spirit.

14. As soon as negotiations with the applicant countries have been opened, discussions will be started with such other EFTA members as may request them on their position in relation to the EEC.

15. They agreed to instruct the Ministers for Foreign Affairs to study the best way of achieving progress in the matter of political unification, within the context of enlargement. The Ministers would be expected to report before the end of July 1970.

16. All the creative activities and the actions conducive to European growth decided upon here will be assured of a better future if the younger generation is closely associated with them; the governments are resolved to endorse this and the Communities will make provision for it.

APPENDIX 2

MAIN DEVELOPMENTS IN THE EUROPEAN COMMUNITIES SINCE THE WHITE PAPER OF APRIL 1967

(Excluding developments in the EEC Common Agricultural Policy)*

The Chapter references are to Chapters of the White Paper of April 1967 and the material relates to developments up to mid-March, 1970.

Chapter 1 : Objectives of the Treaty of Rome

The Heads of State or Government of the six member States of the Communities at their Summit meeting at The Hague on 1 and 2 December 1969 reached an agreement covering four main points

—*Political:* The political objectives of the Community were reaffirmed. The Foreign Ministers of the six member States were instructed to study the best way of achieving progress in the matter of political unification, within the context of enlargement, and to report before the end of July 1970.

—*Completion:* It was agreed to pass from the transitional period to the final stage and accordingly to lay down a definitive financial arrangement for the common agricultural policy by the end of 1969.

—*Strengthening:* The readiness of the member States to strengthen the Community and to promote its development into an economic union was reaffirmed.

—*Enlargement:* Agreement was reached on the opening of negotiations with the applicant States in so far as these

*These are covered in a special study entitled *Irish Agriculture and Fisheries in the EEC* which will be issued by the Minister for Agriculture and Fisheries.

States accept the Treaties and the decisions taken thereunder. Preparations for negotiations could be undertaken as soon as possible.

A copy of the Communiqué issued after the Summit meeting is given in Appendix 1.

Following the agreement in principle on financing on 22 December the transitional period came to an end on 31 December 1969 and the Community entered its final stage on 1 January 1970.

Chapter 2 : Institutions

The Treaty, signed on 8 April 1965, merging the Councils and Executives of the three Communities came into operation on 1 July 1967. The Communities now have a single Council and a single Commission.

The Council agreed in December 1969 to increase the budgetary powers of the European Parliament. The Parliament, whose only function in regard to the budgets had been limited to one of consultation, is to be given power as from 1975 to amend within strict limits the budgets as agreed by the Council.

Chapter 4 : Financial Provisions

The Council decided in December 1969 on a new method of financing EEC and EURATOM policies including the common agricultural policy. Details are given in Chapter 15 of the present White Paper.

Chapter 5 : Free movement of goods and the establishment of the customs union

The customs union was achieved on 1 July 1968 with the removal of the remaining restrictions on trade between the member States and the entry into force of the common external tariff. In the Kennedy Round negotiations which concluded in June 1967 the member States undertook to make reductions averaging 35 per cent in the common customs tariff rates on a wide range of industrial products over the period ending 1 January 1972.

Chapter 9 : Free movement of persons, services and capital

In 1968 the Rome Treaty requirements on the free movement of workers were achieved. All discrimination in employment, pay and working conditions based on nationality has thus disappeared. The most important developments with regard to the right of establishment and supply of services have been the liberalisation of (a) retail trading (b) catering (restaurants, public houses and hotels) (c) sylviculture and forestry and (d) the food and drink industries.

Chapter 11 : Economic and monetary policy

Initial steps towards an economic and monetary union have been taken by the Community. The member States have agreed to consult on short-term economic policy matters, to converge medium-term economic policies and to make short-term financial aid available to a member State in balance-of-payments difficulties. Details are given in Chapter 9 of the present White Paper.

Chapter 12: Commercial policy towards non-member countries

The measures adopted include

(1) agreed lists of goods admitted free of quantitative restrictions from non-member countries. Member States may impose restrictions on these goods in certain circumstances, subject to review by the Council;

(2) Community procedures for dealing with dumped and subsidised imports from non-member countries; and

(3) Community procedures for supervising imports of sensitive goods not subject to quantitative restrictions, the aim being to enable action to be taken in good time to prevent dislocation of Community markets.

Chapter 14: Association with the EEC

The second Convention of association between the EEC and the African and Malagasy States was signed at Yaoundé on

29 July 1969 and covers the period ending 31 January 1975. An association agreement on similar lines was concluded with the East African States (Kenya, Uganda and Tanzania) on 24 September 1969 and will expire on the same date as the Yaoundé Convention. Partial association agreements were concluded with Morocco and Tunisia on 28 March 1969 and 2 April 1969 respectively.

Chapter 16: EURATOM

For some years it had appeared that the future of EURATOM was in doubt due to difficulties in reaching agreement in the Community on a long-term research programme to replace the second five year programme which ended in 1967. At the Hague Summit meeting, however, the member States agreed on the necessity of making fresh efforts to work out such a programme in the near future.

APPENDIX 3

THE STATE OF PREPAREDNESS OF IRISH INDUSTRY

1. An outline is given in the succeeding paragraphs of the more important measures taken or in course of being taken with a view to preparing Irish industry for free trade conditions.

The Committee on Industrial Organisation (CIO)

2. The surveys of the various industrial sectors made in the early 1960's by the CIO revealed the following problems common to a number of industries:

the small scale of units;
under-utilisation of plant and high costs resulting from short production runs;
lack of specialisation and product policy;
need for modernisation and re-equipment;
lack of co-operation between firms;
deficiencies in management standards;
inadequate training facilities for personnel at all levels;
inadequate standards of design, packaging and presentation;
lack of effective and efficient marketing, especially for exports.

3. Arising from reports published by the CIO on general issues emerging from the surveys, the Government instituted the following measures to encourage industrial adaptation:

special grants of 25 per cent towards the cost of re-equipping or modernising premises and plant;
special interest-free loans from the Industrial Credit Company (as an alternative to the special grants);
the doubling of the existing depreciation allowances on industrial buildings, plant and equipment;
an increase in the size (from 33⅓ per cent to 50 per cent) and scope of the technical assistance grants available to industry;

an increase in the size and scope of the marketing grants available from Córas Tráchtála;

the establishment of a special branch (the Industrial Re-organisation Branch) in the Department of Industry and Commerce to promote adaptation measures generally;

the provision of technical assistance grants of 50 per cent towards the administrative and secretarial expenses (in the first three years of their existence) of Adaptation Councils and related Trade Union Advisory Bodies.

4. In addition to these special measures there were a number of aids already available (e.g. export tax reliefs, local rates remission), which could be expected to facilitate and encourage adaptation. Likewise, the resources of existing bodies such as the Institute for Industrial Research and Standards, the Irish Management Institute and the Irish National Productivity Committee would, it was envisaged, be utilised to maximum advantage.

5. The main responsibility for adaptation was, however, seen as being one for industry itself. Hence it was recommended that, in each industry, a new form of organisation—the Adaptation Council—be set up to sponsor and carry through the necessary measures. Side by side with Adaptation Councils, the CIO envisaged the establishment of Trade Union Advisory Bodies which would be consulted on matters affecting the interests of the workers.

6. At the same time, the Confederation of Irish Industries adjusted its organisation to meet the situation created by the expected advent of free trade and made a number of appointments to meet the special responsibilities related to adaptation.

7. Twenty-four Adaptation Councils and related Trade Union Advisory Bodies were established, in most cases through the work of the Industrial Re-organisation Branch and the CII. Apart from the activities of Adaptation Councils the Industrial Re-organisation Branch has, since its establishment, been working continuously to promote adaptation by individual industrial sectors and by individual firms.

8. Most of the Adaptation Councils are not now active and in a number of cases they are being absorbed by the newly-formed Industrial Sectors of the CII. Those Councils which are still active are continuing to do useful work. For the most part, however, the expectations of the CIO as to the role which the Councils would play in industrial adaptation were not realised. In only a few instances did the Adaptation Councils produce overall plans for their industry within which individual firms could re-appraise their operations with greater confidence. At the same time, by their very existence—whatever of their achievements—the Councils were undoubtedly a contributory factor to the changes in attitude, and to a lesser extent, in structure, that have been a feature of much of Irish industry following the CIO surveys.

9. The CIO in the first of its general reports (in 1962) envisaged adaptation as

(a) a short-run crash programme to raise the general level of efficiency to that of foreign competing firms and

(b) more fundamental long-term measures to raise technological skills at all levels.

At that time, there was the possibility of membership of the EEC within a few years. However, with the slow progress in that direction and the continuing impact on industry of different factors—trade, financial, technological, managerial and others—it was recognised that it was not enough for Irish industry to bridge the gap seen to exist, at a particular time, between its general level of efficiency and that of its competitors in other countries. Various measures have been taken by the Government to assist industry to keep abreast of its competitors. These include the continuation of the special grants scheme in operation up to 30 September 1967, the extension of the initial depreciation allowance provisions and the introduction, with effect from 1 March 1968, of a scheme of re-equipment grants, to succeed the 25 per cent special grants scheme. The new scheme of re-equipment grants will, under the provisions of the Industrial Development Act, 1969, be available on a long-term basis.

10. The process of adaptation is a continuing one, the pace of which, being sensitive to a number of factors, may require to be accelerated as circumstances demand. For individual firms and industries it involves internal re-organisation and self-help, supplemented by the use of the various forms of aid available from State sources.

11. While it is difficult, at any given time, to measure the adequacy of the preparations for freer trade, some conclusions may be formed by examining the matter under the following broad headings :—

I. Modernisation of plant and buildings (re-equipment),

II. Improved marketing and product policy,

III. Structural re-organisation,

IV. Long-term measures to raise technological skills at all levels,

V. Expansion of the industrial base.

I. Re-equipment

12. By 30 June 1968, which was the latest date for approving of grants under the special grants scheme, a total of 1,438 applications from 1,114 firms had been approved involving grant commitments of £21.7 million towards fixed investment of £97 million. Up to 31 March 1969 grant assistance totalling £12.4 million had been paid, leaving a balance of £9.3 million which is expected to fall due for payment in the years up to 31 March 1973. In addition, at 31 March 1969 the total number of applications approved under the new re-equipment grants scheme was 228, involving grant assistance of £2.2 million towards capital expenditure of £9.0 million. While these figures indicate that a considerable effort has been made over most of Irish industry to modernise equipment, the pace of technological and other changes requires that there should be no slackening in the tempo of modernisation.

II. Improved Marketing and Product Policy

13. Optimum benefits from the modernisation of plant and equipment can be realised only if the resultant more efficient production is readily and profitably marketable. Improved standards of marketing and a more sophisticated approach to product policy are essential concomitants. This is a pressing need for industry in general but more especially in export marketing. In October 1968 the Minister for Industry and Commerce established the Committee on Industrial Progress and gave them the task of assessing the progress made in the modernisation of industry with particular reference to product policy and marketing. Having regard to the progress made in the physical adaptation of industry, the main aim of the Committee's work is to identify the activities on which resources can now most profitably be expended.

14. To date, surveys of five sectors of industry have been undertaken by working teams on behalf of the Committee. These five sectors are : (i) Women's Outerwear Clothing, (ii) Processing of Fruit and Vegetables, (iii) Hosiery and Knitwear, (iv) Metal Trades (part of), (v) Paper and Paperboard, Paper Products, Printing and Publishing. In the case of the Women's Outerwear Clothing industry, the survey report has been considered by the Committee and is being printed. In the remaining four cases the reports are either under consideration by the Committee or are at an advanced stage of completion. Five further sectors of industry (viz. Electrical Machinery and Apparatus, Boots and Shoes, Tanning and Dressing of Leather, Men's and Boys' Outerwear Clothing, Woollen and Worsted), have been selected for survey. In the case of the three first-named industries the surveys have begun. It is likely that as these are completed a further series of industries will be selected for survey.

15. A major aim of adaptation has been to expand the activities of Irish firms in export markets. Between 1962 and 1968 the value of industrial exports (excluding Shannon) at current prices from £55 million to £149 million. In 1969, for the first time, industrial exports accounted for about 50 per cent of our total exports. While these figures are impressive they give little grounds for complacency. When allowance is made for the

contributions of firms engaged solely in the export trade there is room for considerable improvement in the export efforts of other firms. It is true that there is a far wider consciousness, on the part of firms, of the need for exports, and that the number of older-established firms which are exporting has increased considerably. Nevertheless, many of those firms now exporting have yet to begin doing so in a really serious way, and in most industries a small number of firms continue to provide the bulk of the exports. Special steps have been taken by Córas Tráchtála to stimulate exports on the part of the large number of firms that up to recently had not been exporting. The services of the Kilkenny Design Workshops, set up by Córas Tráchtála in order to help raise the standards of design in industry, are available to industry generally but they are of special value in the context of improving our industries' potential in export marketing.

III. Structural Re-organisation

16. The CIO envisaged co-operation between firms to enable small Irish units to benefit from economies of scale or to secure otherwise desirable rationalisation of production. In practice, very few instances of co-operative action in buying or selling have developed on an enduring basis and, likewise, any voluntary arrangements for rationalisation of production (short of mergers) have been of a relatively insignificant nature. It now seems to be generally accepted—at least by the more progressive firms—that financial linkages, mergers or take-overs, are the only really effective means of achieving structural re-organisation and rationalisation of production. In the course of its activities the Industrial Re-organisation Branch keeps constantly in mind the possibilities of mergers as means of strengthening the position of individual firms or of sectors of industry.

17. Industries in which mergers or take-overs have been a significant feature in the course of the past five years include Cotton, Woollen and Worsted (worsted spinning sector), Hosiery, Agricultural Machinery, Distilling, Paper and Paperboard, Printing and Packaging. For the most part, the firms involved in these moves were large ones (often public companies) or were, otherwise, leading firms in their industries. The reports of the

Committee on Industrial Progress will, it is expected, highlight areas where further mergers may be desirable in the interests of greater efficiency and/or rationalisation of production.

18. In recognition of the growing need to provide a specialised service in relation to mergers, the Industrial Credit Company Limited has established a subsidiary company, Mergers Limited, to take over and develop the merger facilities previously provided by the ICC itself. Similar services are available from each of the two Irish banking groups.

IV. Long-term measures to raise technological skills at all levels

19. *An Chomhairle Oiliúna*—the Industrial Training Authority (AnCO) was established in May 1967 to promote and assist in the improvement of industrial and commercial training. Since its establishment, AnCO has given priority to the training needs of industry and is proceeding by way of programmes of action designed

(a) to induce industry itself to carry out training;

(b) to provide direct training and retraining at its own training centres.

20. Industry is being encouraged to develop systematic training on its own account and also to avail of external facilities (Vocational Education Committees, Irish Management Institute, etc.). Such training will be subject to the advice of AnCO and will be financed by a levy/grant system. It is planned to have the levy/grant scheme in operation in all designated industrial sectors of manufacturing industry in the latter half of 1971.

21. Training centres are already in operation at the industrial estates at Shannon, Waterford and Galway and one is planned for Dublin. The aim is to be in a position to cater for the training (or re-training) of 2,000 workers at these centres by 1971. The facilities at these centres are intended for the training of: unemployed and redundant workers who have the aptitude to acquire new skills; agricultural workers wishing to take up other occupations; and workers for new industrial projects (advance training).

22. The need for improvement in the quality of management in Irish industry has been recognised for some time. To raise the expertise and sophistication of management in Irish industry the *Irish Management Institute* has recently drawn up a long-term programme of development which has been approved by the Ministers for Labour and Finance.

23. The publication in 1967 of the OECD report "Science and Irish Economic Development" encouraged the *Institute for Industrial Research and Standards* (IIRS) to draw up a 5-year plan for 1968-73 under which its resources would be shared between technical consultancy (on a more long-term basis than day-to-day problem solving), applied research, design and development, and advisory services and testing.

24. This Plan was examined by the *National Science Council* which recommended, among other things, that a principal objective of the Institute should be to use its growing technological capability to assist industry to raise its technical standards and to make fuller use of its available technology; the Institute should also promote actively its field advisory and consultancy services and, to the maximum extent possible, ensure the implementation by industry of any recommendations made in the course of this work. The 5-year Plan envisages a considerable strengthening of the Research and Development role of the IIRS. A stimulus to Research and Development work as a means of encouraging new product development and the raising of the level of technology in industry is provided by the introduction, under the Industrial Development Act, 1969, of a scheme of grants for R & D work. This scheme is to be administered by the Industrial Development Authority.

25. In 1964 a special advisory service was created under the auspices of the *Irish National Productivity Committee* to meet the needs of small and medium-sized firms, i.e. firms employing under 200 people. Since its inception the Advisory Service has completed approximately 250 assignments and almost 400 firms have been assisted in various ways.

V. Expansion of the industrial base

26. The preparation of existing industry for the competitive conditions ahead is the first of the main aims of industrial policy. The second is to expand the existing industrial base

as rapidly as possible through the establishment of new Irish firms (or the expansion of existing ones) and the attraction of foreign firms. The recent re-organisation and enlargement of the Industrial Development Authority and the provision of revised grants and incentives for industry, under the Industrial Development Act, 1969, are intended to secure this aim.

27. Greater attention is also being given to the development of home-based industry (a) through existing firms which have demonstrated their capacity for growth and (b) through the Small Industries Programme. In both areas it is expected that the prospects of development would be further enhanced through linkage opportunities and the activities of the IDA's project research and progress and planning units.

28. Launched in 1967 on a pilot basis in seven counties, the Small Industries Programme was extended to the country as a whole early in 1969. The firms for which the programme is intended to cater are defined broadly as those employing not more than 30 persons and with fixed assets of not more than £60,000. The major aims of the programme are to raise the general level of small-scale enterprises; to help them to adapt to changing conditions; to identify and develop opportunities for the successful operation of small enterprises, and to encourage them to grow. Apart from special grant incentives, advice on technical, financial, marketing and managerial problems is provided through the Small Industries Division of the IDA.

29. Up to 31 December 1969 a total of 345 firms had been assisted in various ways under the Programme; the grant assistance provided was approximately £2.5 million, the total capital expenditure involved being £5 million.

30. In assessing the state of preparedness of Irish industry to meet the challenges and avail of the opportunities of EEC membership, it is relevant to note the industrial progress achieved over the period 1958-68 (i.e. the period since the Government published their first programme for economic expansion). The following tables show the trends in industrial production, employment and exports in that period. Table A sets out the trends in production and employment in the transportable goods industries, and Table B sets out the trend of industrial exports and their relationship with total exports.

TABLE A

Year	Transportable Goods Industries			
	Gross Value of Production	Volume Index of Production	Employment	
			'000s	Index
	£m.*	1958=100		1958=100
1958	371	100	150	100
1959	407	110·3	153	102·0
1960	443	118·3	160	106·7
1961	491	129·0	167	111·3
1962	530	137·3	173	115·3
1963	571	144·1	178	118·7
1964	628	155·2	182	121·3
1965	671	161·7	183	122·0
1966	715	169·4	185	123·3
1967	809	183·8	187	124·7
1968	900 (A)	205·4	191	127·3
Growth 1958–68	142·6%(A)	105·4%		27·3%
Average Annual Growth ..	9·3%(A)	7·5%		2·4%

Note : (A) These figures are estimated.
*Expressed at current prices.

TABLE B

Year	Industrial exports		Total Exports (including Re-Exports)		Industrial as % of Total Exports
	Valued at current prices		Valued at current prices		
	£m	1958=100	£m.	1958=100	%
1958	33	100	131	100	25·2
1959	41	124·2	131	100	31·3
1960	51	154·5	153	116·8	33·3
1961	53	160·6	180	137·4	29·4
1962	55	166·7	174	132·8	31·6
1963	62	187·9	197	150·4	31·5
1964	77	233·3	222	169·5	34·7
1965	81	245·5	221	168·7	36·7
1966	96	290·9	244	186·3	39·3
1967	115	348·5	285	217·6	40·3
1968	149	451·5	332	253·4	44·9
Growth 1958–68		351·5%		153·4%	
Average Annual Growth ..		16·3%		9·7%	

31. It is clear from the above statistics that during the period 1958-68 the industrial sector made a substantial and progressively increasing contribution to the general advancement of the economy. Over the period the gross national product, in real terms, increased annually by nearly 4 per cent—three times as fast as during the previous decade. The gross volume of output of transportable goods industries increased by just over 105 per cent between 1958 and 1968 (an average annual growth rate of 7½ per cent). The level of industrial exports expressed at current prices increased from £33 million in 1958 to £149 million in 1968 (an increase of almost 352 per cent, representing an annual growth rate of slightly in excess of 16 per cent). The level of employment in industry increased from 150,000 in 1958 to 191,000 in 1968 (an increase of just over 27 per cent, representing an average annual growth rate of almost 2½ per cent).

APPENDIX 4

STATISTICS OF THE MEMBER STATES AND THE APPLICANT COUNTRIES

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TABLE 1

Population and percentage distribution of civilian employment by main sectors, 1968

	Population	% distribution of civilian employment by main sectors		
	millions	Agriculture, forestry and fishing	Industry	Other
EEC				
France	49·92	15·8	40·4	43·8
Germany (Federal Republic) ..	60·18	10·2	48·2	41·6
Italy	53·80	22·5	41·8	35·7
Netherlands ..	12·73	7·9	41·3	50·8
Belgium	9·62	5·6	44·9	49·6
Luxembourg ..	0·34	12·1	45·3	42·6
Community ..	186·58	14·6	43·8	41·6
Applicant Countries				
United Kingdom ..	55·39	3·1	46·7	50·2
Norway	3·82	15·5	36·6	47·9
Denmark	4·87	13·1	38·4	48·5
Ireland	2·92*	28·4*	29·7*	41·9*

Sources: OECD and Central Statistics Office.
*1969.

TABLE 2

Gross national product at current market prices, 1968

	$ millions
Member States	
France	126,230
Germany (Federal Republic) ..	132,480
Italy	74,980
Netherlands	25,230
Belgium	20,750
Luxembourg	710*
Applicant Countries	
United Kingdom	102,670
Norway	9,020
Denmark	12,390
Ireland	3,050

Sources: OECD and Central Statistics Office.
*1967.

TABLE 3

Gross product by sectors as a percentage of gross domestic product at factor cost
(1963 prices)

	1958			1967		
	Agriculture, forestry and fishing	Industry	Other domestic	Agriculture, forestry and fishing	Industry	Other domestic
Member States						
France	9·3†	46·6†	44·1†	7·9†‡	48·6†‡	43·5†‡
Germany (Federal Republic) ..	6·3†	50·8†	42·9†	4·8†	52·5†	42·7†
Italy	17·9	35·4	46·7	13·3	41·8	44·9
Netherlands ..	11·2	38·6	50·2	8·8	43·6	47·6
Belgium ..	8·5	38·8	52·7	6·2	42·7	51·1
Luxembourg ..	n.a.*	n.a.*	n.a.*	n.a.*	n.a.*	n.a.*
Applicant Countries						
United Kingdom	3·6	45·5	50·9	3·6	46·2	50·2
Norway ..	12·2	37·8	50·0	7·4	38·8	53·8
Denmark ..	15·5	36·1	48·4	11·0	41·1	47·9
Ireland	23·1	28·3	48·6	19·1§	36·3§	44·6§

Sources: OECD and Central Statistics Office.
†at market prices.
‡1966.
*n.a.=not available.
§1968.

TABLE 4

Growth of gross sectoral and national product at 1963 prices, 1958–67

	Average annual percentage increase			
	Agriculture, forestry and fishing	Industry	Other domestic	GNP at market prices
Member States				
France	2·9†	5·6†	5·0†	5·1
Germany (Federal Republic)	2·4	5·9	5·5	5·5
Italy	1·9	7·3	4·9	5·6
Netherlands	2·6	6·8	4·8	5·0
Belgium	0·8	5·5	4·0	4·4
Luxembourg	n.a.*	n.a.*	n.a.*	n.a.*
Applicant Countries				
United Kingdom ..	3·1	3·3	2·9	3·3
Norway	—0·6	5·3	5·9	4·8
Denmark	0·9	6·5	4·8	5·0
Ireland	2·3‡	6·8‡	3·3‡	4·2‡

Sources: OECD and Central Statistics Office.
†Average growth rates, 1958–66.
*n.a. = not available.
‡Average growth rates, 1958–68.

TABLE 5

Growth of gross national product per head at 1963 market prices, 1958–67

	Average annual percentage increase
Member States	
France	3·9
Germany (Federal Republic) ..	3·7
Italy	4·9
Netherlands	3·6
Belgium	3·8
Luxembourg	n.a.*
Applicant Countries	
United Kingdom	2·5
Norway	3·9
Denmark	4·2
Ireland	4·0†

Sources: OECD and Central Statistics Office.
*n.a. = not available.
†1958–68.

TABLE 6

Gross domestic fixed investment as a percentage of gross national product (1963 prices)

	1958	1967
Member States		
France	18·7	22·0
Germany (Federal Republic)	22·5	24·3
Italy	19·9	19·4
Netherlands	21·1	26·8
Belgium	17·2	21·6
Luxembourg	n.a.*	n.a.*
Applicant Countries		
United Kingdom	14·6	18·6
Norway	30·5	32·6
Denmark	16·1	23·2
Ireland	13·4	21·1†

Sources: OECD and Central Statistics Office.
†1968.
*n.a. = not available.

TABLE 7

Percentage self-sufficiency in farm products: (a) member States, and (b) member States and United Kingdom, Norway, Denmark and Ireland

	(*a*) Member States		(*b*) Member States and Applicants	
	average 1962–63 1963–64	1967–68	average 1962–63 1963–64	1967–68
Wheat	99·5	112·5	86·7	97·6
Feed grain	77·1	78·6	76·1	79·6
Total cereals (excl. rice)	86·3	91·1	80·2	85·8
Rice (husked)	79·0	100·8	68·1	85·9
White sugar	98·7	104·6	75·5	83·0
Vegetables	102·4	102·5	98·6	98·9
Fruit (excl. citrus fruit)	91·3	89·9	83·6	81·6
Citrus	43·9	n.a.†	37·1	n.a.†
Beef and veal	90·3	88·8	94·4	97·6
Pigmeat (incl. bacon)	99·2	100·0	102·3	103·9
Poultry	91·4	97·8	97·3	100·0
Mutton, lamb and goat meat	92·3	84·2	61·5	58·9
Eggs	94·4	97·1	97·5	98·5
Cheese	98·0	102·7*	95·8	99·9*
Butter	99·5	111·1*	82·8	91·8*
Oils and fats	38·5	41·8	34·6	40·1

*Provisional figures.
†n.a. = not available.

Source: Opinion of the Commission of the European Communities on the applications for membership, October 1969.

TABLE 8

The trade of the member States

(1) Imports

	1965		1966		1967	
	$m.	% of total	$m.	% of total	$m.	% of total
Belgium/Luxembourg:						
From EEC countries ..	3,473	54·5	4,009	55·9	3,983	55·6
From all other countries	2,900	45·5	3,165	44·1	3,184	44·4
Total	6,373	100	7,174	100	7,167	100
France:						
From EEC countries	4,015	38·8	4,853	40·9	5,373	43·4
From all other countries	6,323	61·2	7,022	59·1	7,004	56·6
Total	10,338	100	11,875	100	12,377	100
Germany (Federal Republic):						
From EEC countries ..	6,660	38·1	6,939	38·5	6,864	39·6
From all other countries	10,812	61·9	11,085	61·5	10,488	60·4
Total	17,472	100	18,024	100	17,352	100
Italy:						
From EEC countries ..	2,295	31·2	2,787	32·5	3,390	35·0
From all other countries	5,056	68·8	5,784	67·5	6,307	65·0
Total	7,351	100	8,571	100	9,697	100
Netherlands:						
From EEC countries ..	3,987	53·4	4,332	54·0	4,547	54·5
From all other countries	3,484	46·6	3,686	46·0	3,793	45·5
Total	7,471	100	8,018	100	8,340	100
Total EEC:						
From EEC countries ..	20,430	41·7	22,920	42·7	24,157	44·0
From all other countries	28,575	58·3	30,742	57·3	30,776	56·0
Total	49,005	100	53,662	100	54,933	100

Source: The Economic Situation in the Community (4/1966, 4/1967, 3/4/1968).

TABLE 8—*continued*

The trade of the member States

(2) Exports

	1965		1966		1967	
	$m.	% of total	$m.	% of total	$m.	% of total
Belgium/Luxembourg:						
To EEC countries ..	3,947	61·8	4,188	62·3	4,429	63·0
To all other countries	2,435	38·2	2,529	37·7	2,602	37·6
Total	6,382	100	6,717	100	7,031	100
France:						
To EEC countries ..	4,116	41·0	4,608	42·3	4,701	41·3
To all other countries	5,934	59·0	6,289	57·7	6,676	58·7
Total	10,050	100	10,897	100	11,377	100
Germany (Federal Republic):						
To EEC countries ..	6,306	35·2	7,318	36·3	8,002	36·8
To all other countries..	11,586	64·8	12,816	63·7	13,734	63·2
Total	17,892	100	20,134	100	21,736	100
Italy:						
To EEC countries ..	2,883	40·3	3,262	40·6	3,373	38·8
To all other countries..	4,276	59·7	4,770	59·4	5,329	61·2
Total	7,159	100	8,032	100	8,702	100
Netherlands:						
To EEC countries ..	3,564	55·7	3,750	55·5	4,003	54·9
To all other countries..	2,832	44·3	3,001	44·5	3,285	45·1
Total	6,396	100	6,751	100	7,288	100
Total EEC:						
To EEC countries ..	20,816	43·5	23,126	44·0	24,508	46·7
To all other countries..	27,063	56·5	29,405	56·0	31,626	56·3
Total	47,879	100	52,531	100	56,134	100

Source: The Economic Situation in the Community (4/1966, 4/1967, 3/4/1968).

TABLE 9

Commodity distribution of Ireland's gross agricultural output, 1968

Commodity	£ million	Percentage of total agricultural output
Horses	3·9	1·3
Cattle	98·0	32·3
Milk	77·7	25·6
Sheep and wool	14·7	4·9
Pigs	32·9	10·9
Poultry, eggs, etc.	16·2	5·3
Wheat, barley, oats	27·0	8·9
Sugar Beet	8·8	2·9
Potatoes	7·2	2·4
Fruit	1·6	0·5
Other crops	14·8	4·9
Gross agricultural output (including stock changes)	303·0	100

NOTE: The output of cattle, sheep, pigs and poultry take account of changes in livestock numbers on farms.

Source: Central Statistics Office.

TABLE 10

Ireland's trade by main areas

	Imports					Exports				
	1965	1966	1967	1968	1969	1965	1966	1967	1968	1969
	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
EEC	56·8	50·5	57·2	80·6	91·4	28·4	26·7	24·2	29·6	41·3
United Kingdom	188·2	193·1	196·9	253·3	310·1	153·9	169·3	205·5	230·8	242·8
EFTA (excluding United Kingdom)	13·8	12·8	15·0	21·8	34·1	3·3	3·0	3·2	4·1	6·2
Dollar area ..	40·1	45·1	42·4	47·3	63·6	13·8	23·8	30·7	39·2	46·5
All other areas..	73·0	71·1	80·8	93·1	89·8	21·5	21·5	21·5	28·8	34·4
Total	371·9	372·6	392·3	496·1	588·9	220·8	244·3	285·1	332·5	371·1

Source: Central Statistics Office.

TABLE 11

Ireland's trade with member States and applicant countries

	Imports					Exports				
	1965	1966	1967	1968	1969	1965	1966	1967	1968	1969
	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
Member States:										
Belgium ..	7·1	5·3	5·8	6·7	7·6	2·0	3·9	4·3	5·2	5·1
France ..	10·7	8·2	9·2	15·1	16·8	5·7	7·2	6·7	10·0	13·3
Germany (Federal Republic) ..	24·0	22·0	24·8	36·3	42·9	11·8	9·5	6·9	8·1	10·8
Italy	4·6	4·9	5·3	7·6	9·9	2·1	1·2	1·4	1·7	4·7
Luxembourg	0·3	0·2	0·1	0·2	0·1	—	—	—	—	—
Netherlands ..	10·1	9·9	12·0	14·7	14·3	6·9	4·9	4·9	4·6	7·3
(A) Total trade with member States.. ..	56·8	50·5	57·2	80·6	91·4	28·4	26·7	24·2	29·6	41·3
Applicant countries:										
Denmark ..	3·8	3·2	3·3	4·3	5·1	0·5	0·5	0·4	0·6	0·5
Norway ..	1·4	1·5	1·6	3·0	2·5	0·4	0·4	0·3	0·5	0·6
United Kingdom ..	188·2	193·1	196·9	253·3	310·1	153·9	169·3	205·5	230·8	242·8
(B) Total trade with applicant countries ..	193·4	197·9	201·9	260·6	317·7	154·7	170·2	206·2	231·9	243·9
(A) + (B) ..	250·2	248·4	259·1	341·2	409·1	183·1	196·9	230·4	261·5	285·2
(A) + (B) as % of total trade with all areas	67·3	66·7	66·0	68·8	69·5	82·9	80·6	80·8	78·6	76·8

Source: Central Statistics Office.

TABLE 12

Ireland's imports from the EEC by principal commodities in the years 1968 *and* 1969

Commodity	1968	1969
	£000	£000
Wheat	2,174	1,512
Maize	647	1,090
Barley	1,009	858
Fresh Fruit	894	1,270
Cocoa, butter	697	511
Wines	654	728
Spirits	1,400	1,282
Tobacco, manufactured	931	844
Sulphur	368	570
Coal	1,518	1,309
Petroleum and petroleum products	2,346	1,809
Organic and inorganic chemicals	2,243	2,491
Dyeing, tanning and colouring materials	562	725
Medicinal and pharmaceutical products	1,533	2,127
Fertilisers	4,989	3,693
Plastic materials, etc.	2,056	2,559
Leather, leather manufactures and dressed furskins	402	691
Rubber manufactures	379	409
Wood and cork manufactures	451	559
Paper, paperboard and manufactures thereof	767	932
Textile yarn, thread and fabrics	5,439	5,969
Non-metallic mineral manufactures	998	1,610
Iron and steel	4,025	5,798
Non-ferrous metals	1,110	886
Manufactures of metal	2,874	2,773
Machinery (non-electric)	14,045	16,684
Electrical machinery, goods, etc.	6,064	7,297
Road motor vehicles assembled	882	1,444
Road motor vehicles unassembled	6,139	6,260
Ships and boats	—	2,554
Plumbing, heating, lighting, fixtures and fittings	510	534
Clothing and headgear	379	465
Professional, scientific etc. goods, watches and clocks	1,555	1,494
All other commodities	10,530	11,684
TOTALS	80,570	91,421

Source: Central Statistics Office.

TABLE 12—*continued*

Ireland's exports to the EEC by principal commodities in the years 1968 and 1969

Commodity	1968	1969
	£000	£000
Cattle	579	182
Horses, permanently exported	277	518
Meat and meat preparations	4,556	6,524
Beef, fresh or chilled	*71*	*671*
Mutton and lamb	*2,617*	*2,618*
Pork	*428*	*2,033*
Horseflesh	*1,093*	*782*
Edible offals	*197*	*290*
Milk, dried or powdered	4	244
Fish and fish preparations	1,344	1,775
Chewing gum	184	158
Cocoa beans powder, butter and paste	181	109
Beverages and tobacco	239	376
Cattle hides, undressed	170	120
Sheeps' and lambs' wool shorn	484	521
Gravel and crushed stone	110	152
Lead ores and concentrates	4,547	5,415
Zinc ores and concentrates	2,259	5,736
Scrap copper	508	1,141
Tallow (inc. "premier jus")	47	308
Medicinal and pharmaceutical products	2,116	2,420
Fertilizers, manufactured	—	278
Starches, albuminoid substances and glues	38	372
Veneer sheets	215	203
Textile yarn, thread and fabrics	598	1,189
Clay and refractory construction materials	675	783
Metal unwrought and wrought	406	600
Machinery (non-electric)	551	578
Electrical machinery, goods, etc.	1,190	1,420
Ships and boats	16	164
Knitted or crocheted underwear and nightwear	408	506
Surgical, medical, dental, etc. instruments and appliances	2,300	3,893
All other commodities	5,588	5,575
TOTALS	29,590	41,260

Source: Central Statistics Office.

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